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Coopers and Lybrand, Washington, DC

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Report to Congress
Industrial Cost Recovery

Volume IV — Transcripts of Public Meetings (ICR Advisory Group)

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This document presents the U.S. Environmental Protection Agency's final report to the Congress on its Industrial Cost Recovery Study as directed by the Congress in Section 75 of Public Law 95-217, the Clean Water Act of 1977. This provision of the statute requires EPA to study the "efficiency of, and need for" the repayment by industry of that portion of the EPA grant used for construction of industrial capacity in publicly-owned wastewater treatment systems, and requires EPA to report the results of the study to the Congress by December 31, 1978. The final report consists of seven volumes:

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ICR ADVISORY GROUP
JULY 14, 1978

ORIGINAL

INDUSTRIAL COST RECOVERY STUDY ADVISORY GROUP

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Environmental Protection Agency
East Wing - Waterside Complex
Washington, D. C.

Friday, July 14, 1978

The meeting was called to order at 1:55 o'clock p.m., Truman Price presiding.

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PROCEEDINGS

MR. PRICE: I first want to thank all of you for turning out for the second meeting of the ICR Study.

The first thing we will do is just go around the table and introduce ourselves.

I am Truman Price, EPA Headquarters.

MR. HUELSMAN: Walt Huelsman, Coopers and Lybrand.

MR. PAI: John Pai, Project Officer for the Study, EPA.

MR. DONAHUE: I am Ed Donahue, Project Manager for Coopers and Lybrand.

MR. OLSTEIN: Myron Olstein, Coopers and Lybrand.

MR. GALL: John Gall, EPA.

MS. SAVAGE: Robbi Savage, National Association of Manufacturers.

MR. BECKER: Bill Becker, National Association of Manufacturers.

MR. ELICOTT: Andy Elicott from the Association of Metropolitan Sewerage Agencies.

MR. COOPER: Jack Cooper with National Food Processors Association.

MS. BURNS: Joan Burns, League of Women Voters.

MR. BURKE: George Burke, Water Pollution Control

Federation.

MR. PIECUCH: I am Pete Piecuch, Water Pollution Control Federation.

MR. PAWLUKIEWICZ: Mike Pawlukiewicz, National Association of Regional Councils.

MS. REARDON: Mary Reardon, National Association of Counties.

MR. TEITEL: Jeff Teitel, National Forest Products Association. I am also here for the American Paper Institute.

MS. BOOLUKOS: Susan Boolukos, American Frozen Food Institute.

MR. GERRISH: Don Gerrish, American Baking Association.

MS. FELLER: Mimi Feller, from the office of Senator Chafee.

MR. PRICE: There will be others coming in.

Thanks for attending the meeting. The format we are going to have today is somewhat different from the last one, inasmuch as we want to make sure that every person has an opportunity to get whatever comments he might have on the record.

We have a court reporter with us today that is that is taking down all the comments. So before making your statement, please provide your name and try to speak as clearly as possible so that we can have a complete record of what is said.

I think instead of just sticking to our basic agenda of the four items that were sent out to the Advisory Group before the meeting, we will go around and let every person have an opportunity to give his comments and to discuss simultaneously all four agenda items.

Now, following that discussion, we do have the contractor in a position to give us some of the initial reactions of the pilot data gathering effort that was conducted in EPA Region 5.

John Pai is the Project Officer for the study, and Walter Huelsman is the Managing Director for the Project for Coopers and Lybrand.

Walt, if you want to comment on the four items and how you arrived at what you did, following your introduction, we will go around clockwise, starting with Robbi Savage.

MR. HUELSMAN: If I could, I would like to, for the record, just repeat two or three significant things that we covered at our initial meeting. Then we can go into the work that has been done.

This is a repeat for a number of you. At our last meeting we discussed and agreed that the information gathered from the various industry and source information could not be retained as confidential information, and I think the response we have had so far shows that that is not going to present any significant problem, at least the response we have had to date.

The second thing is the contract calls for a significant group participation, and that is one reason why we have this Advisory Council.

When we get into talking about the field study, we will get into how many various businesses have been contacted, but basically we have yet to receive some of the special interest group information as to who you would like us to see throughout the United States. We have some of it, but I think there is more.

I want to remind you that our people are going to be scattered across the country in the next five or six weeks. If we do not have that information, it is going to be very difficult any way to be able to discuss some of the issues with some of the people of your associations.

I guess the major thing that has happened since our last meeting is that we have started the initial surveying which was a pilot of Region 5, and what we were able to do was to contact all the grantees. We have not contacted all of the industries in that Region yet, and we will have to do some follow-up work in that Region.

I think at this point Truman wants to have covered the four issues that were sent to you for your comments and what have you. I think Ed and Myron can give you some background on how they were developed and why they were developed.

MR. OLSTEIN: One of the things that the study was supposed to do is to analyze the impact of not only ICR, but user charge and ICR on industry.

MR. PRICE: They are having trouble hearing you.

MR. OLSTEIN: One of the things that this study was supposed to accomplish was to analyze the effect of ICR and the combined effect of the user charge and ICR on industry.

In order to do that, and to do a reasonably detailed analysis, we had to narrow our sights a little bit. We decided, even before the contract was placed, to limit it to a detailed investigation of five industry groups.

At a meeting that was held with Coopers and Lybrand people, people from EPA, and two Regional people responsible for UC/ICR within their regions, we went through a formal process to arrive at the five industry groups we were going to study. I believe all of you received a copy of describing that process. But basically we determined the criteria that we wanted to see in the industry groups chosen, and based on the combined experience and knowledge of the people we had there, we developed a candidate industry list.

Then finally an analysis was done to indicate how the industries ranked with respect to the criteria that had been selected. On that basis, after that analysis was completed, the five groups they have before you were the ones that had been selected with a detailed investigation.

They were: meat packing, dairy products, paper and allied products, secondary metal products, and canned fruits and vegetables.

To arrive at a degree of uniformity in the way they were to be analyzed, we have cut all of them off at the third digit of the SIC Code, which is a correction you should make on your sheets.

In the case of canned fruits and vegetables, it is 203X, so it is a little bit broader than it indicated here.

That is basically the description of the process. You see the numbers are here.

MR. DONAHUE: We also, in order to gather the information, developed survey forms to be used with interviews for inductrial plants and to be used with cities who operate municipal treatment systems. You received draft copies of survey instruments, and those forms basically are the same questions -- well, we have revised those forms -- the same questions are being asked. Sometimes they have been rephrased a little bit, so the answers on the survey forms themselves could be used for machine input so we can use some computer analysis for statistical and data kind of manipulation purposes.

Basically we have revised the questionnaires. They are the same questions, maybe stated a little bit differently. The answer is presented so you can read them into a machine kind of thing. But those are the survey instruments we are basically going to use.

We are going to talk to a lot of industry, not just those five, but those are the five we are specifically and particularly paying attention to. Those survey forms have been modified in some cases by the trade association or professional association representing that industry or that industry group, to get more specific information that is just unique to that industry, but basically all the industrial people we are talking to are going to be asked the same kind of information.

If you read through the survey instruments, I think you can see what we are trying to get at. We are trying to find out what people are paying for sewage, not just user charges, not just industrial cost recovery, but to find out what their true sewage bill is. If it has increased dramatically in the past, we want to find out why it has gone up. We are not just interested in the fact it has gone up. We want to know why it went up. That is what those survey instruments are going to attempt to do.

MR. HUELSMAN: The other two things that you received as you requested were the initial list of the cities, so that you would have four to six weeks advance notice where we are going to be. The group also requested a description in layman's terms of what user charge, industrial cost recovery and the EPA regulations entailed, and those have been provided and are available for further distribution as needed.

I think that covers the four things, does it not?

MR. PRICE: Yes. We have had basically two mailings since our last meeting. We did send out a more extensive list of tentative cities. This would be a broader list of the cities that we will probably get and obtain data from, but we will probably not visits. These are the ones we will actually visit (Indicating sheet).

As we get into the various regions, we will find that maybe for some valid reason we will want to either add or subtract from this list. If we find certain municipalities or grantees have certain heavily impacted industrial components, we will want to go there, and maybe make some substitutions.

Now, in that regard, I think we would again like to solicit from all of the national associations that have local constituencies, the names of their local groups, so that we can provide those to Coopers and Lybrand, so that when they go into, say, a particular city, they will know whom to contact for the various local viewpoints as well as the national viewpoints.

So if you could provide us even a directory of your constituent memberships, that would help a lot, or else you could go through yourself and pick out specifics for the cities involved.

With that background, let us start going around the group and getting the detailed comments and reactions of the various Advisory Group members to the materials that have been sent out today.

We are particularly wanting to focus in on the four categories of industries that we are going to study in detail, because once we start getting information, we do not want to be changing that later on. We have to start right from the start.

Robbi, if you want to give us some of your comments on all of the items submitted to you, then we will go right around the table.

MS. SAVAGE: First off, I do not see any problem with the industrial groups that you cited. I think it is a fairly good range of the people that will be involved in the program.

I would like to focus on the flexibility at the local and municipal level for this program, and to reinforce them that hopefully there will be flexibility for industry and for the local governments if in fact this program comes to fruition.

We have a list of people that we would like to give you. I will not bore you with them now. We have General Mills, Campbell's, Owens-Illinois, Warner-Lambert Pharmaceuticals, and another list of 25 people that we have identified as those who would like to be involved in your programs.

I would like to know more before I really say where we are coming from, I would like to know more about what happened at Region 5, and how your model went, and then I will be able to respond in a little more detail.

MR. PRICE: Let us get the initial comments first, and then after we get those, Walter can discuss Region 5, and if it has not been clarified at that point, then you can come back with any follow-up inquiries or questions.

MR. HUELSMAN: When you say flexibility at the local level, just so I understand that, what do you mean? Do you mean one plant versus another plant?

MR. DONAHUE: Do you mean flexibility to implement ICR, or flexibility to do the study?

MS. SAVAGE: Flexibility to implement ICR, how it would be handled, if it does come to be a viable program.

MR. BECKER: That last point was more of a comment we made when the ICR provisions were being debated by Congress. One of the problems with ICR in the past, and with user charges, was that the administrative burden instituting the program like this is not helping the program any, and it is really running counter to the objectives.

We just wanted to see flexibility built into the Act, and we also wanted to see flexibility built into the regulations.

MS. SAVAGE: I will dump it on my boss now, Bill Becker.

MR. BECKER: I have not taken as close a look at this -- I was not able to attend the last meeting. I was concerned also with the identification of industries. I see that you have in the aggregate five industry groups were selected to make sure that they were well represented.

I heard one comment, and I really have not taken a close look, but a lot of the cities that were identified, or a lot of the municipalities identified with projects were the smaller types. And even some of the larger ones were identified with completely different types of problems. I have not taken a close look, but I would hope that the full sample is very well represented, large, small, energy-intensive, non-intensive, things like that.

MR. HUELSMAN: It really it.

MR. BECKER: We are very interested in that. Seventy-five percent of NAM's membership is small business, and we obviously would like to make sure that their interests are taken into consideration.

That is all I have to say right now.

MR. PAI: When you say 75 percent are small business, are you talking in terms of employment, or sales volume, or what?

MR. BECKER: Based on employment. Seventy-five percent of our membership is under 100, or 500.

MR. ELICOTT: I am Andy Elicott, with AMSA. I will make my comments pretty brief.

I am concerned about the period of time that you have got to complete this study. Looking over the information request form for municipal treatment agencies, I think it is going to take most of the members of our Association quite a while to answer as fully as it seems you would like.

If you plan to have people available at C&L to take questions over the phone from people, I think that would be a good way to speed the answering from our members who are not blessed with a site visit.

On your list of tentative cities, you have got 22 cities that I know for sure has sewage treatment agencies that are in our Association. There may be more, but I cannot tell.

I have one other member who would like to be added to your list. It is Western Lake Superior Sanitary District, up in Duluth. I had one member who received the draft survey form. Before he received it he was very anxious to be included on your list. After he received it, he gave me a call, and he said he would like me to hold off before I put his name in, so that may be a harbinger of the kind of reaction you will get from sewage treatment agencies, not that we are recalcitrant necessarily, but it seems like it is a rather weighty form.

I can tell you -- and John Pai knows most of this --

that we have an ICR Committee, and we are working on an ICR implementation, and are in the midst of conducting our own survey on where our members are in the ICR program development.

This is by no means as comprehensive as the one you have proposed; but if we can get information from it that would be of any assistance, we will pass it on.

MR. HUELSMAN: When will that be completed?

MR. ELICOTT: It is difficult to tell. Hopefully by the end of August, but I cannot guarantee it, that it will be by that time.

Also, we are concerned about the impact of the new definition of industrial user that is being proposed by EPA, and we hope that the study you conduct will take into account the differences between existing definition and the new definition.

We will have information available for you shortly on our members' best estimate of how much more ICR billing they will have to do under the new definition, as compared with the old one.

Again I would guess that that might be available by the end of this month, and we would be happy to give it to you.

MR. DONAHUE: Andy, two comments. With that draft survey instrument that you have, which we have since refined, every time one of those is sent out, the way we are scheduling this, we are calling people obviously to set up an appointment, and before we go see them we are sending them a copy of this form saying do not fill it out, we are not asking you to do that. But this is the kind of information we are looking for. And the cover letter goes with it, and confirms dates, time, et cetera, and says if you have questions about the questions, the data we are looking for, call us before we show up, to save yourself time, and to save us time.

There is the name and phone number given to everybody when they receive one of these forms.

Another thing is, one of the questions on this, Part VI of the questionnaire, is looking at the impact of alternative definitions of industry. How many people will you have to bill for ICR under new definitions, and rank your large order users so if we change the cutoff form, what it is going to do to your number of ICR customers.

MR. HUELSMAN: The same procedure will also be handled with the plants that will be visited, and in that we will send the information out so that they understand what it is we will be looking for, and then call prior, and when we get into Region 5, we will talk about how we see that we will have to call back for missing data. We expect that we will not be able to get 100 percent of this data on our first visit on a lot of these places.

MR. ELICOTT: Can you tell me how much time you anticipate putting into each of your detailed investigations? In other words, if I am the Metropolitan Sanitary District of Chicago, and you call on me, how much of your time are you going to give to try to get the information out of us?

MR. DONAHUE: We are planning to spend a day with each city or each agency.

MR. HUELSMAN: That is after examining the information in the Regional Office. A lot of that information will be gathered from reports that the grantee has already sent to EPA. So we are going to have some of the missing data, and also some of the things to back up the data that we have.

MR. DONAHUE: Before we go to CMSD in Chicago, we will have gone through EPA's files, correspondence, reports, problems, agreements, disagreements, as the case may be, with MSD, to get what documentation we can so we can go in there knowing something about the situation, and not going in there cold.

MS. SAVAGE: You are going to do that with industry

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too, back up information before you go?

MR. DONAHUE: We do not have access to detailed information about given industrial plants before we go in there. We do have industry-wide data from the Commerce Department that we are trying to assimilate before we go to talk to specific industries so we know something about the kind of problem the specific industry might have. We will not have advance detailed information about a plant.

MR. OLSTEIN: Unless they are in a target group where we are working with the Association, and in that case we will have information through the Association.

MR. HUELSMAN: We also receive input from the grantee regarding the plants and the customers in his area, and the sequencing of the interview is the grantee first followed by the plants.

I might also comment that we are in the process right now, or Coopers and Lybrand is performing a user charge/industrial ICR study for EPA, which has already brought us into the ten regions, and we have gone through a lot of similar type information already I think on 40 or 60 --

MR. DONAHUE: Eighty.

MR. HUELSMAN: Eighty different systems. We are in the process of preparing that report. I think we know pretty much what information we can get from regional offices, and what information we are really going to have to dig out at the grantee.

MR. DONAHUE: That study though was more from the viewpoint of municipalities and EPA -- it was a different perspective. It was not really aimed at industry, whereas this study is.

MR. PRICE: Jack, may we have your comments?

MR. COOPER: I am Jack Cooper with the National Food Processors Association. I want to compliment the Agency and the contractor for the work you are doing with working with industrial groups such as ours, as well as public interest groups, to insure that all views and information available is put into the record.

I am confident that information that is put in will be analyzed, and I want to compliment you for that.

With respect to the four things that you sent out, I will comment first on the tentative cities. I notice in your letter you say you are going to begin on July 17 to 25 for your site visits.

I do not have a list of when you are going to any of these. Do you have a timetable established?

MR. DONAHUE: Partially.

MR. HUELSMAN: We do not have one for cities on the week of July 17. What we are doing, we are using July 17 to train our men in other parts of the country, to get to the regions, and then we will really start the individual cities the following week. During the week of July 17 we will have a detailed city-by-city, day-by-day kind of thing.

MR. DONAHUE: We are in the process of developing this. It is substantially complete now. But where you have a list of cities, and you call one city and they say, yes, we will talk to you on August 1, and you call someone else and they say we will talk to you on August 4, and they are 1,000 miles apart, everybody wants to talk on the same day -- it is a matter of juggling and rearranging so we can see everybody.

Also, while you are in the city, talk to pertinent industrial organizations or plants.

MR. COOPER: I understand the problem of coordinating it. I was wondering if we could get a list of the times you will be going to them.

MR. DONAHUE: As soon as we have it finished, yes.

MR. HUELSMAN: Each grantee, and each one of the industries in that city, Jack, are being contacted -- they have been contacted over the last week or so, some of the remaining ones are still being contacted. We just have not been able to get the logistics thing straightened out.

MR. DONAHUE: We will have one, and it will be available.

MR. COOPER: The second thing, I sent this out to our Industrial Committee to look at, and they said, gee whiz, many of the cities on here do not have strong industries there. They may have very small industrial cost-recovery program.

I was wondering if some of the other cities which we recommended could not be substituted for some of those that are on here, and what is the status of that with respect to revisions of the list of cities that you are going to with recommendations that have been made from other groups?

MR. DONAHUE: There is room for minor modifications. We basically have to stick with this list. We can add to it, or subtract from it, to a certain extent, but not drastically. Because we have to make sure we cover all geographic areas of the country.

If you read the legislative history, and the Act itself, it says you have got to pay attention to urban versus rural areas of high unemployment. So in order to get all those things in, it sort of starts putting limitations on what we can do.

MR. COOPER: I understand. The major point I want to make is you should not just go to a city because it has ICR program. There should be sort of major contribution of industry there.

MR. DONAHUE: That is true. If you go to a city that does not have an ICR system, it is hard to say what ICR impact is going to be.

MR. COOPER: One of our major problems is not where ICR programs have been set, it is those in the future.

MR. HUELSMAN: We would very much like to know those cities where you see there being an ICR problem in the future. One of the things that this study is intending to do is to gather as much factual data as we possibly can, to arrive at some conclusions, and going into a city that does not address some of the issues yet, it is almost impossible to get the factual information.

As a matter of fact, we have some good case studies that we could go to areas that have not gotten into it yet. So if you know of some city --

MR. COOPER: We have. We will give them to you.

MR. PAI: On those five major industry groups that we selected, we will do some projections as to what are costs on self-treatment, and costs anticipating UC/ICR system --

they may not have an ICR system now, but we are looking to 1985.

MR. DONAHUE: We are also going to be talking to industries and cities other than these. These are the cities we are specifically going to visit. We are going to visit some industries in other cities where they do not have ICR system, but heavy industrial concentration, in addition to talking to other people by telephone.

MR. HUELSMAN: There are another 200 cities that we will be contacting, but we had to get our logistics straightened out before the visit.

MR. COOPER: The final thing I had to say is we are conducting survey cost of waste water treatment within members' companies, and we have to date 208 responses that have come back.

MR. DONAHUE: We appreciate that. That information is already, and continues to be very helpful for this study. It does take some time for people to fill out those questionnaires that you mailed out.

MR. SILVERMAN: My name is Larry Silverman. I would like to echo in part what Jack is saying about your efforts to get diverse number of groups involved. I think in comparison to other studies being done in EPA, this is very good.

For example, the Congressional study for what to do about combined sewers, I think the first notice went out about that yesterday, asking for comments by July 24. That is the kind of thing other parts of the Agency are doing. You are doing much better than others in that respect.

I do think you can broaden some of the participation. The two areas that I think need special concern, and I think which are reflected in Congressional history, is the area of economics. I know you have great accounting expertise. But I think we need some theoretical economists, or academic economists who have expertise in the water area, such as people at Johns Hopkins, Professor Roberts at Harvard, a number of people -- not a lot really -- who have expertise in the area.

I think in general EPA has developed regulations and programs in this area and other areas without help from economists, and I think that is one of the reasons that this study was commissioned, because it raised problems.

I think somebody has to look over the methodology, and give some basic thoughts, kind of like NASA has to have a physicist as well as an engineer.

MR. HUELSMAN: We have a staff of eight Ph.D think you ought to bring in people in that industry, identify them, and bring them into these deliberations. I think they can make a major contribution.

MS. SAVAGE: After listening to the hearings for the last three days, I think he is probably correct. Monitoring was a major focus.

MR. PAI: What about including some of your members which are in what you call manufactures -- equipment manufacturing?

MR. COOPER: There is a separate trade association.

MR. BECKER: Waste Water Equipment Manufacturers Association.

MR. SILVERMAN: I know there are people out there, and I think they have to be identified and brought in. I imagine there are not a lot of companies that make the kind of equipment necessary to run good systems.

MS. SAVAGE: Good point.

MR. BECKER: We will be more than happy to talk to our members, and maybe perhaps get some industrial economists, modeling experts, and monitoring experts.

MR. SILVERMAN: The other thing that concerns me is fluid process. Rules keep changing. As you are studying ICR, there are new regulations on it proposed, beyond ICR, there is a whole new pretreatment program, and there is a program with regard to how you do analysis for industrial capacity, how much reserve capacity you can have. These are very serious changes.

I do not want to add to your burdens, it seems to me if you are going to make your report relevant, by the time it gets published, you have to at least begin soliciting views, or presenting your own views on these proposed changes. I do not think you can start working on that too early, because it will change the whole program.

If you do not do that, you will come up with something that is really not relevant.

MS. SAVAGE: Would you want someone on pretreatment from EPA to sit on the Committee, or someone from outside?

MR. SILVERMAN: I think the equipment manufacturing industry, when they get into these situations, they do not think ICR or pretreatment, they think if it is going to cost us X dollars -- they look at ICR, user charge, pretreatment, and make the judgment. That is the way it is supposed to work.

When you are talking to industry, and talking to municipalities, you have to start thinking about the cost of these things, and how they are going to fit in together. It is a little disturbing to the Agency because people writing pretreatment regulations are not people who write construction grants programs. In part, any way.

I hope that does not inhibit you. I know it is going to affect the Agency's performance, but I hope it does not inhibit the study --

MS. SAVAGE: At our very first meeting, the Interagency Coordination of bringing some of these other people in, the people who have been working on the pretreatment regs within the Agency, as well as people who are going to be affected -- it might be very helpful.

MR. PAI: They were notified of the meeting.

MR. OLSTEIN: If I could deal with the first thing you covered.

Congressman Roberts' questions 3 and 6 dealt with economic issues, and we have separated that out. As of this moment we are in the middle of an RFP process to select the subcontractor. We hope to have one selected and negotiated by the 28th of this month, to analyze that very question. What is ICR's effect on achieving cost-effective solutions to water pollution?

The people who are going to be bidding on the thing -- the people who have been doing the economic analysis, the people that have been doing cost industry studies, and in fact, Tom Alexander, who was at our bidders' conference -- I must admit he is going to cooperate fully with this specific study that is going to be done. There will be a subcontract that we will place out of this study. Tom is a good choice, because he is the one who is going to be a project officer for the cost-effectiveness study which you referred to, so we will be working together.

We will have full access to all his tapes, so we are not going to be duplicating efforts in terms of any of the data that already exists, and at the same time we will be taking some excellent data that we are getting from Jack's Association, the Forest Products people, and we will be improving Tom's data base in the process.

So that is the way we are dealing with that issue. In addition to economists, we need some very specific engineering cost estimation expertise, which is why we have gone the RFP route.

As far as monitoring, that is one of the questions we address when we visit the grantee. It is one of a large number of questions. We have to be cognizant of how much time we take up, and the effort involved. We are looking at that issue right now with the people that have to spend that money.

MR. SILVERMAN: Let me just say with regard to that, in the last three days, Congressman Ginn's Subcommittee on Investigations and Review, part of the Public Works Committee, part of the people who asked for this study, were looking at some of the AWT programs. And what you heard every day, and five or six times an hour at least, from different Congressmen, was what is wrong with our monitoring system.

Why aren't we measuring better? It may be only one in a list of 12 or 13, but if you have been hanging around that Committee, you know it is foremost on their mind. The same way the General Accounting Office has questioned the monitoring system.

I do not think that the grantees are the experts on monitoring. In fact, that is the problem. That is an area where grantees, not necessarily all of them, but many grantees are very weak for whatever reason. They may have good reason to be weak in that area, but they are. I think that is one of the things that needs careful scrutiny, and I think Congress wants it, and I think it will be useful, not just for this program, but many other things, too.

I would like to say something about planning. This comes really in response to some of the comments received on the proposed regulations.

The question is when should the ICR system be implemented, and when should ICR and user charge plans be developed? And we are of the view that they should be developed as early as possible, at the step 1 stage, if possible, or at least they should be outlined so that people could estimate it best if possible what their costs are going to be, so they can plan for it. They can make their decisions at that time, and not later when it is more expensive or too late to make those decisions.

MR. HUELSMAN: I couldn't agree more.

MR. SILVERMAN: There are people who disagree. Some of your colleagues -- I don't know if you read the comments received by EPA, I would hope you would answer the statement made: You really can't do this until you are 90 percent complete construction.

I think there have been comments made by professionals and consultants, and I hope that you will use your expertise to deal directly with those comments.

I refer particularly to the comment received by Black and Veatch, in the docket of comments received in the April 25 regulations. There were many others, but nobody with that kind of expertise. I think that needs a response.

Also, in the area of planning, if you have read the law, it says 208 agencies are supposed to set up ICR user charge system. It says that right in the law. There are not a lot of 208 agencies that have got involved in this area. But I think in making your visits you ought to look at what those agencies are doing, because they are supposed to be the comprehensive planners. They are supposed to look at financing costs, and that is in the law.

I think that somebody ought to talk to them, in addition.

The head of all 208 programs now at EPA is Merna Hurd. She came from a 208 agency in Delaware, and one of the few agencies to develop an ICR system. She did a real good job there. I think she would be worth speaking with. Not only because she is head to 208 here, but she has expertise in this area. She might refer you to other people who you should speak with.

The importance of grantees -- and that is going to become more important. Every once in a while you hear Mr. Jorling say in the end there is not going to be any 201 funding unless there is 208 plan.

In case this policy becomes the policy, which I think it should be, you ought to anticipate that and look at some of the 208 groups, and what they should do, and what they might be able to do.

And finally I want to encourage you, as you hold your public meetings, to give as much notice as possible, and to do whatever you can to bring the public out. I think the effort in that direction really began -- it is hard to find a good model in EPA, particularly recently, because everybody was in such a rush that oftentimes things happened before the public could be involved, but I do hope you will make an attempt, for example, before you hold a meeting, to announce it to the press, spend some time explaining it to local reporters, what it is all about, and that you will prepare lists of industry in communities, names of companies in municipalities in the municipal system that say something about cost, what you are doing, and begin working as hard as you can to bring in people in different locations that you are visiting, the general public.

If you will do that, we will help you in any way that we can, with suggestions of names, and groups, and so forth, who might be helpful in that area.

I think you certainly made a start by translating some of your stuff into English, and I hope you keep that up.

I think you have to do a little more specific work. I think it would be useful for you to sit down and write a little summary of the situation in Chicago as it exists for people to use and understand it so they can figure out how industry and municipalities can work together.

It is important to have that. To the extent that there are people out there who understand these problems, and know anything about sewage treatment, there is the suspicion that industry should not be involved in the system at all, and I do not share that view. I think it can be done properly. I think there is a need to get to the public. They are going to have an influence on this legislation.

MR. PAI: Pursuing your last point concerning writing something in plain English, how did that work out?

MR. SILVERMAN: I think what you did was a good general statement. I will be sending it out to people I deal with, but I think that mostly if you go to Buffalo or Chicago, there are folks out there who have an interest, what is the local company doing, are they ripping us off? Are they doing a good job?

MR. PAI: If you think over any articles or issues that we should continue that kind of effort, give us a subject and we will try to continue to follow that kind of document for public information purposes.

MR. SILVERMAN: Yes. We did a case history on

Merrimack, New Hampshire, a brewery, Anheuser-Busch Company in the community, which raises issues of how they share treatment plant, with some of the problems that arose. It was not a happy story. But we will send copies to some of you, and we will send copies to the rest of you probably Monday.

Just as an example, one of the things I hope you will do in your final report is give us some examples, good and bad, of communities.

MR. HUELSMAN: We have two case studies in every region, a good one and a bad one, that are going to be written up as a case study, just to that point.

Larry, will you be able to give us that information pretty soon?

MR. SILVERMAN: Yes. In general I want to thank you for being so open in suggestions and comments. I think again, by agency standards, you are doing excellent. There is always room for improvements. But you are headed in the right direction.

MS. BURNS: I am Joan Burns from the League of Women Voters.

I want to echo Larry to the extent that I want to thank Coopers and Lybrand for coming up with this layman's explanation. I think it will really help.

I have several questions concerning public participation, though.

First of all, I need some clarification as to where these meetings are going to be held. Do you intend to hold them at each of the sites, or one per region, or what?

I am a little confused.

MR. DONAHUE: Which meetings are you talking about?

MS. BURNS: That is the second half of the question.

MR. DONAHUE: For this list of 100 cities we are going to be in each one of the cities, actually in those cities. In addition, there are going to be ten meetings in each of the ten regional cities. We are not sure of the dates or places, but we will know in late August, like a month before the meeting happens, and those meetings are to do two things. To gather opinions and comments from people that we have not heard from before, plus relating some of what we found while we were out talking to people in those areas.

MS. BURNS: Are you planning to have a public meeting in each of the specific locations?

MR. DONAHUE: We are going to Cleveland, Ohio, for example. If we know that there are specific industries, or public interest groups, either Chamber of Commerce, League of Women Voters, or local chapter of whatever -- in NAM -- anybody -

we will try to schedule a meeting with them.

MR. HUELSMAN: If you say that so and so in Cleveland would like to get involved in this, when we are setting this up, we have a grantee identified, we will contact them, and in all cases we are trying to ask the grantee to allow us to use an office, or a place at their site, and bring in the people at that time.

MS. BURNS: At the time you intend to contact these groups, are you going to be sending out copies of this report?

MR. DONAHUE: Yes.

MR. HUELSMAN: The layman's description.

MR. DONAHUE: Yes.

MS. BURNS: I want to make sure they are being distributed in such fashion.

MR. DONAHUE: If you have other people you want them sent to, we will send them.

MR. HUELSMAN: Where we are being requested of additional information, someone mentioned news announcements and what have you, each EPA Region has a -- you fellows have to help me out here --

MR. DONAHUE: Public Information Office.

MR. HUELSMAN: Public Information Officer has the same information, and these people throughout the region will either be referred to them, or to the Regional EPA person responsible for UC/ICR.

MS. BURNS: I was a little concerned when I read through the paragraphs about tentative cities selected, and it said something about meeting with the agencies responsible for waste water treatment. It did not say anything else about the meetings. I was a little concerned.

MR. HUELSMAN: Once we lined up a meeting with the agency, then if we have three groups that are interested in discussing this, we will contact them, say this is the date we are going to be there. I mean we cannot try to get everybody to agree on a date. We have to say this is the date we will be there, we have time at four o'clock, or whatever it is, and can we get together.

MS. BURNS: Do you plan to do any other sort of soliciting, education thing? Larry mentioned news releases, things of that sort. Are you going to publicize?

MR. HUELSMAN: When we get to the public hearings, I guess that is what they are called --

MS. BURNS: The October meetings?

MR. HUELSMAN: It certainly will be done then. Logistically it is almost impossible to do it as we are going along.

MS. BURNS: The only concern I have with all of this, I hear all the talk about industry being involved, and things of that sort, experts, engineers and things of that sort. The public sort of gets pushed aside now and then.

MR. DONAHUE: We are looking for you to tell us who to talk to. Who represents the public?

MS. BURNS: I can get you a directory.

MR. PAI: In addition to that, if you have any particular questions, if we do not address them in public hearings, or in layman's language, feel free to call either me or anyone else for specifics on what they want to know about ICR. We are always available.

MS. BURNS: One last suggestion I had. For these public meetings that you will be having in October, will there be some official publication, such as in the Federal Register, or something of that sort, about where they will be?

MR. PAI: It depends on how definitive we can be to announce those dates. At this time we are running a very tight schedule.

To the extent we want to be certain, once we publish that, it will be a binding situation. We would like to make the announcement as early as we can. We would like to get more involved.

We are not trying to run away from the issue.

MS. SAVAGE: I would like to second Larry's idea that Merna address the group, if she feels like she wants to, and definitely contact the 208 agencies in the field. If they are left out in the cold, their contact with the public and industry could be skipped entirely, and we already have the public and industrial and technical forms for you to use, so if we could contact those people, not only from the EPA Agency sense, but also from State and regional sense.

MR. PAI: There are some internal administrative -- well, not administrative -- UC/ICR has to be approved by the region. I think the 208 agency should be consulted. To the extent they were actually involved in UC/ICR system, my personal -- I have a few reservations about what position there would be with those review agencies and the region.

MS. SAVAGE: Talking about 201 regional, EPA 208, a conflict does not have anything to do with the public.

If in fact down the line 208 agencies have to deal with whatever you come up with, and they were not involved now, you will probably find more conflict at a later date than if you would have them involved at the beginning.

MR. PAI: I do not see any conflict, other than where other people are going to take over. I do not think the

208 agency per se wants to get into detailed questions of UC/ICR. They are at the planning stage.

MR. SILVERMAN: I think you are reflecting your position in the Agency. You are working for EPA, and I hope -- I usually agree with John, but I think, in my judgment, he has got a bias here. 208 people have a bias, too.

MR. PAI: I do not think ICR study, addressing institution approach -- who should review ICR --

MR. COOPER: What this study is supposed to address is the impact of ICR on the industries, and not necessarily who is involved in preparing it, and so forth.

MR. PAI: We are not addressing the institutional issues, like the engineering firms preparing it --

MS. SAVAGE: You are reacting on a much more technical basis than Larry or I indicated. Basically, that the 208 agencies know it is going on, very much the way you did with this meeting, and tell them it is going on.

If they want to be there, fine, if they make the decision it does not impact their particular plant, well, okay.

MR. PAI: They have talked to me about it. They know the meeting we had today.

MR. COOPER: From the information standpoint I think it would be useful to add them on the mailing list, or something.

MR. SILVERMAN: In terms of getting people involved, I would suspect 208 agencies would be more useful to you, because they do public participation very well.

MS. BURNS: Just in terms of the States that the League is involved with task forces currently, they have been working very closely with 208 agencies in each individual State. There is a great deal of communication between a variety of groups.

Again, I would suggest that.

MR. PRICE: All right.

Let's continue.

MR. SYMONS: My name is Hugh Symons. I am a Technical Consultant with American Frozen Food Institute.

I would like to associate myself with the initial remarks made by Larry Silverman and Jack Cooper, and not necessarily the final remark by Larry Silverman, insinuating faint praise --

(Laughter.)

MR. SYMONS: I would like to assure your study of considerable cooperation from our members who are very interested in it. There are two points we would like to make. I will make one, and Ms. Susan Boolukos will make the second.

It seems to me it might be useful for at least two

MR. OLSTEIN: You were not here when I explained we have taken out SIC Codes to the third place, and not the fourth.

MR. SYMONS: It is a point we ought to look at for administrative convenience.

MR. COOPER: We talked about this with the contractor. I recommended they drop the last digit so it would include frozen and dehydrated, and so forth, so it would all go together.

MR. SYMONS: If you get on to things like potatoes, substantial dehydration -- substantially dehydrated.

MR. COOPER: The intent of dropping that last digit was to do that.

MR. HUELSMAN: We will check it out.

MR. SYMONS: If I could put the point a little better. You should not go for particular technology. You should consider the plant in that region, whether it is canning, dehydrating, freezing, whatever it is. Because any particular plant really, you are asking them to play with numbers --

MR. COOPER: In the surveys you are getting back, you are getting both canned and frozen from us, so they are intermingled, and you cannot separate them.

MR. SYMONS: It varies from day to day, and hour to hour, and season to season. You are increasing the load enormously in making people hold their wet fingers up in the air to see which way the wind is blowing to give you an answer, and your answer will be imperfect, to put it mildly.

Thank you, Mr. Chairman.

MR. BURKE: I am George Burke, Water Pollution Control Federation. I was real pleased to hear you are going to include the cost for municipalities for waste water treatment, and I wonder if you would also include the cost of operating waste water collection system, because it is almost like you were just talking about, it is hard to separate sometimes.

I feel many of the cost estimates for waste water treatment has not included the collection system, and as a consequence, has not really given a clear picture of what the cost is to the municipality, because the collection system has to be operated as well as the treatment system.

The Federation is just planning several studies that will be the basis for some new manuals of practice, having to do with management of waste water collection and treatment systems.

One of the things we want to do first is study the rate structures used by the municipalities to finance their operation and maintenance -- even going into user charges, even going into cost recovery, and other various costs that they have.

We have seen costs going up rapidly. I was just sent some figures which indicate to me that by another two years we may be spending $3 billion a year out of municipal budget to operate waste water treatment and collection systems.

So we do need to look closely at cost, and what the rate structures are.

AWT is already causing some municipalities to raise their rates so high and creating a feeling among customers they are getting ripped off. We will not get our study started probably before the end of the calendar year, but we would like to liaison with you, some of your contacts with municipalities, and if we can be of any assistance to offer you names of people who might be contacted, we will be glad to do so.

MR. HUELSMAN: The statistics that you mentioned that you already have, would that information be available?

MR. BURKE: These data are being taken out of the Bureau of Census publications. Yes, they are available. Some of it has been presented to the latest hearings that the Congress has just gone through in the last few days.

MR. PIECUCH: I have no additional comments.

MR. TEITEL: Good afternoon.

My name is Jeff Teitel. I am here on behalf of the

National Forest Products Association and the American Paper Institute.

I offer the following comments for the record.

The pulp and paper industry is making every effort to cooperate with Coopers and Lybrand, to which I believe they can attest.

The industry questionnaire is under review to locate reliable data which the pulp and paper industry hopes will be useful.

Many in the pulp and paper industry believe that continued ICR costs will be burdensome in light of cost to comply with new pretreatment regulations. The ICR study should, by all means, consider the consequences of increased costs to domestic users if industries are encouraged to turn away from POTWs and self-treatment.

Many in the pulp and paper industry do not have a reliable idea as to what will be future ICR costs. We hope that in the C&L study industry responses and participation will not be affected by this void.

Again, many companies are not clear to what extent user charges, vis-a-vis ICR charges, may be used for the same POTW improvements.

We concur with the gentleman across the table that time constraints will not adversely affect the quality of the C&L study.

Finally, we shall continue to make every effort to cooperate with C&L to gather the most reliable data base.

MR. DONAHUE: Jeff, I appreciate your cooperation. Yes, you certainly have been cooperative. I think if you look at the survey instrument, the draft one that got mailed out, plus the revised one we have here, you see we are indeed looking at total cost, not just user charts, not just ICR, we are asking for a lot of information.

It may make some industrial people stop and think what they are really paying, because some of the costs they are paying may be buried in property tax, or something like that.

We are looking at pretreatment cost, as well as self-treatment cost -- not everybody understands the difference. We are trying to look at some of the issues you raise.

MR. TEITEL: I would underscore one thing I stated. The study you are undertaking, of course, addresses a projection. In order to come up with an accurate assessment, you are going to have to make the best projections based on obvious costs that users are going to have to make. That is all the costs.

MR. PAI: As a general response to the question, you know the issue we have raised in here, we will look into it. By all means it is not limited to those issues.

If you feel there is anything we failed to cover, and your members want to raise those issues, please raise them on your own, and we will take them into consideration. We are not trying to say these are the only things which we will look into.

Instead of saying we did not do it, maybe you can help us decide what we should be doing. In other words, we do not know enough about it ourselves, just from my personal opinion, I do not know about the major problems you have, and if there are other things, mention them to us. Write them down, and we will consider them.

MR. COOPER: I want to echo what Jeff said about future costs. As the surveys are coming back and showing clearly, many of our companies do not know what their future costs are going to be. They have some projections.

As you know, industrial plants were way ahead of cities in meeting the 1977 date, and maybe 40 percent are there now. That means you have got 60 percent of them that between now and 1983 are going to be upgrading, and the costs just are not there.

It is important to take a look at some of these cities that are in the process of developing their ICRs. I have already made that point.

MS. BOOLUKOS: I am Susan Boolukos from the American Frozen Food Institute.

I would like to address the second point that Hugh mentioned.

We, as the representative of the Frozen Food industry, are very interested in participating in the ICR study. We have not sent out a questionnaire at this time. We will be doing that within the next week.

One thing I would like to clarify, and question you about now, is what the final date is on data that you will accept from our questionnaire.

MR. DONAHUE: August 31.

MS. BOOLUKOS: August 31. I think that is something that can happen.

MR. DONAHUE: Good.

MS. BOOLUKOS: We directed our questionnaire very strongly toward the nine questions that Congressman Roberts has put forth, and we are concerned, after having addressed those questions, and looking at the tentative cities that have been selected for site visits, that small cities with small populations, yet large industrial users, are not perhaps represented on here.

At this time I have indication only with regard to one more city we could add to Region 5. However, I would like to provide you with further information.

MR. DONAHUE: We would appreciate that.

Since you got that list, we have added some cities for a variety of reasons. Two of them that I can think of, based on Congresswoman Smith's questions, were the City of Ravenna, Nebraska, population 1,500, but with three or four sizable industrial plants who are going to get hit with what they expected to be sizable ICR bills, and the Town of Byron, Nebraska, population 561, and there were some food processors there who were facing -- I cannot remember if it was annual or total ICR bill for about $20,000, and those two came from reading some of the testimony. Those two have been added to the list of places we are going to visit.

If we can find more cases like that, we will add them, and try to visit them, and get the information. Sometimes from testimony, both from legislative history, from whatever reports were issued, whatever, we cannot always make clear whether we are talking about total cost, annual cost -- they were not worrying about neat, nice accounting kinds of terms.

MR. OLSTEIN: Frozen fruits and vegetables, and frozen specialties are all included.

MR. GERRISH: I am Dan Gerrish with the American Bakers Association. I cannot say that I am unhappy to see that we are not included as one coming up for detailed study here.

We have sent Jack's form out with some modifications for our industry and a lot of explanatory information. Jack got 208 returns. So far I think I have eight. Today was the deadline. So I think you made a wise choice.

My question is does this mean no bakeries will be contacted?

MR. DONAHUE: No, it does not.

MR. GERRISH: It does not mean that, okay.

MR. DONAHUE: As far as the baking industry is concerned, the present and potential impact of ICR, we would very much like to talk to them.

MR. GERRISH: We would like to explain that to our members. Up to this point the cost of waste treatment has not been sufficient to disturb anybody.

MR. BECKER: How large is your membership?

MR. GERRISH: We represent all of the major bakers in the country. Our membership is about a thousand plants, about 80 percent of the bread and cake production. We are members of NAM. You can represent us.

MR. OLSTEIN: There are a number of avenues that get us to a given industrial plant. One of them might be, for example, through the grantee. I will give you one good example.

If the District of Columbia happened to be a city that we were to visit, which it is not, but if it were, I am sure that the Wonder Bread plant would be one of the ones the grantee would identify.

MR. GERRISH: Many of the cities you have listed here do not have manufacturing bakers. They might have a retail baker who bakes in the back and sells out front. There are a lot of cities here that do not have a bakery.

MR. COOPER: Most of the cities on there are not representative of our industry at all. I can look through here and I doubt if there is but one or two, maybe five cities at the most, that has any food processing of our industry in them. That concerns us. That is why we made a special effort of giving you the additional cities that we did over the phone.

MR. GERRISH: That is not true in Region 5, but the other regions.

MR. PAI: I guess some work has to be done on this list of cities. We will have to sit down with them and go through the cities.

MR. DONAHUE: Obviously we have to talk to some of your canners in California, Central Valley, San Joaquin Valley, Imperial Valley.

MR. GERRISH: We will be glad to cooperate in any way we can. If you need a contact with a baker, we will certainly help you with it, or anything else, but so far as our own study -- well, we will also send you the material we have, if you are interested in it, but I expect that will get a little better return.

MR. OLSTEIN: That is the problem that the dairy people are running into also. Sometimes it is hard to drum up the interest.

MR. GERRISH: We have a Special Industry Committee on this issue. Still it has not been sufficient. There have not been sufficient costs yet, and we hope there never are, to get them that disturbed.

MR. PAI: If they do send that information, ask them to send it in the form of raw data, the data we can actually take some look at, and not just some description. Raw data, pretty much in the form that we need here --

MR. GERRISH: As I say, we sent the form out that Jack developed. I think, with your help, with some modification, it made more sense for the baking industry. That is what we are getting back, but very slowly.

We will send those forms to you, because those who sent them in understand there is no confidentiality. That is another problem with not getting forms in.

MR. PRICE: Michael?

MR. PAWLUKIEWICZ: I am Michael Pawlukiewicz with the National Association of Regional Councils.

This is the first time I ever attended this Advisory Group. Although I have looked over the mailings I have gotten, I am not prepared to give any detailed comments at this time. I would like to point out though that I agree with the people we are talking about, getting in touch with 208 agencies, especially with respect to public participation. They really do have the system put together, and represent people in water and in many cases manufacturers interested in water.

I can supply you with a Directory of Regional Councils, and I can also show you those which are 208 agencies. There are only 135 Regional Councils that are 208 agencies. So you probably have a lot of cities -- if you have a list of 100, I would guess many of them do not have a 208 agency around. Probably a non-designated area, where work is supposed to be done by the State, or something to that effect. That is really all I have to say.

I hope you will have more meetings, and I hope to participate more fully at those.

MR. PRICE: Thank you.

Mary?

MS. REARDON: I am Mary Reardon from the National Association of Counties.

I feel, for a change -- well, usually these meetings are dominated, filled with public interest groups -- I am on the other side today, and all of you people are basically industry people.

We represent the grantees, or many of the grantees. What I would like to do is urge you to continue to focus your efforts on the grantees and industries particularly that they serve.

The reasons for this study are, I think, financial and technical problems that occurred in the field. You are only going to get answers by working specifically with the grantees and the industries.

The only substantive question I have is one that relates to the choice of the five industries that are involved. I guess I would like to ask the question whether C&L and the industry representatives here feel that this is an adequate be most impacted, large employers, lots of water, dirty sewage -- those kinds of things. There was no decision made to not pay particular attention to, or to remove from consideration industries with toxic substances.

One of the assumptions we are making, I do not know if everybody will agree with the assumption, but industry is going to eventually have to comply with pretreatment standards, whatever they are. That for the most part is going to preclude you from discharging toxics into municipal treatment systems.

One of the industries we are talking to here, secondary metal products, elctroplaters, they are people with toxics. That is going to be a problem.

MS. REARDON: I am not that clear about this. I wanted to know whether it was the sense of people around here that the toxics question had been adequately addressed by your focus on these five industries.

MR. DONAHUE: We think it has. I do not know if everybody else will agree.

MR. HUELSMAN: To the issue of the rural small community, business moving out, in each of the regions we are looking at the adjoining small communities in that type of a situation, and we are attempting to measure what is the impact of that on the various costs.

MS. REARDON: The only ones I am concerned about -- I understand most of the toxic substances will be removed through pretreatment -- but those municipalities or counties that make agreements with industrial plants to do pretreatment in fact, in the municipal plant, involved in ICR, and that is the only point I wanted to make.

MR. PRICE: Tim Rugh of the Chocolate Manufacturers Association came in late.

Do you have any comments you would care to make?

MR. RUGH: No. This is my first meeting as well. I am new at the Association. I have nothing to say on the issue, except to say that the Chocolate Manufacturers are not one of the major users of water in the process.

MR. PRICE: We have two people from the Hill with us. We have Joan Kovalic of the Public Works Committee, and Mimi Feller of Senator Chafee's office.

Do you have any comments or observations?

MS. KOVALIC: I came in a little bit late, and you may have already addressed what is on my mind. My most immediate concern is that the issues set out in the Congressional Record of December 15 and Congressman Roberts' statement are indeed being addressed.

If they are not, I want to know it, and I want to know why. To the degree to which they are, I hope I can pick up from this meeting, and I am sure some additional conversations. That is my paramount concern.

Also the timing of the study. I think it is critically important that the issues be covered within the 12 month period, simply because of the limitation on the moratorium. I know that is a very difficult constraint on doing any sort of regional data analysis, putting together a good report. I understand that.

It seems to me something has to be looked at pretty seriously if Congress is going to have an opportunity to address the study and evaluate legislative requirements before the moratorium is lifted.

MR. PRICE: With respect to the specific questions posed by Congressman Roberts, those were incorporated in the scope of the work and will be made a part of the study.

The December 27 deadline for completion of the study, we are going to still try to adhere to that. We have gone on a very expedited schedule here. We were discussing the other day how we are going to get from city to city. We had some very unique suggestions thrown out on the table.

MS. KOVALIC: I can truly understand. From the legislative point of view, 12 months can be a lot of time for a study to be done. I certainly understand, and we do want to have a good job done. It is not going to do anybody any good if the work has no validity.

MR. PRICE: If everything unfolds as planned, we will make it.

MS. KOVALIC: You know it is okay if it does not come in until the 31st.

(Laughter.)

MS. FELLER: The Senate concurs with that.

MR. PRICE: Mimi, do you have any coments?

MS. FELLER: Just a few.

First of all, this is the first meeting that I have been to of this group. It is the second meeting period of the whole group, but I am really thankful for all of you being willing to have the meetings open to people from the Hill. I am enjoying finding out how diverse a group is going to be involved in this study. I will not presume to make detailed comments. I have just been going over information here. I will probably have some ideas to suggest on maybe a few more cities.

I am pleased to see the Electroplaters are going to be under, I guess, that one industrial category. That is a major problem around parts of the Northeast.

I might add that we might want to ask, or at least for the Northeastern Region, that with the poultry processing area, that some of the seafood industries, which are more of offshoot, that that may be something that we would ask you to look at, not in one of the five majors, but just one meeting, or a couple of meetings up there in that area.

I think also that some members of the Congress were wondering if there was any dividing point or special effect of ICR on an older industry, a much older industry. I think that was mentioned, if not in the language, it may have been --

MR. OLSTEIN: Cities, new cities versus old cities. You are saying industries now?

MS. FELLER: New industries versus old industries, older marginal industries I think was the term.

(4) MR. COOPER: That is a very good point.

(4) MS. FELLER: When this comes in, is this something that is going to drive older industry out?

MR. PRICE: In terms of industry or individual plants within an industry, that may be getting obsolete --

MS. FELLER: Probably more individual plants.

Is this the one thing that is going to drop local managers that have been there over the line, and he is going to have to close down? Industry is going to move out of that city, build a new plant somewhere else, and just close that down and do their business from other locations?

MR. COOPER: I might add with respect to food processing, the questions that we have specifically address that, whether ICR is causing some company to shift production or to close and move. Those questions are addressed. There has been some response, quite a bit of response.

MR. SYMONS: This sort of question is also in the minds of some of my members.

MR. OLSTEIN: One of the things we are trying to do in the specific cost-effectiveness analysis that we are going to do is to try to recognize that factor, and in the cost to industry's report that OPE prepares and presents to Congress, one of the explicit assumptions they have for each industry group is the same process is used. One of the requirements we have placed, and I am hoping that when we get the proposals and they reflect that, is that we recognize in our industry models that a range of different processes, you know, reflecting the age of the individual plants exist. We have specified that.

MS. FELLER: I think I noticed that in your questions, the age.

MR. OLSTEIN: So far I have not had any indication that is going to pose a problem.

MS. FELLER: I am very pleased to see the plan to have public hearings. I think that is a great way of picking up some areas where you are not sure where there was concern, and they are going to be able to come in then, and it would be perhaps impossible to try to meet with the world at your individual meetings in these cities, but you will be able to get some people maybe from smaller surrounding towns or whatever to come in for public hearings.

Finally, I will not presume to speak for the House on this, but I think some members on the Senate side had had separate feelings about user charges and ICR. If there is one thing I would like to ask you to do in your comments and final report that comes out, that you try to separate that sometimes in what you are saying, because some members might

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support user charges very strongly and yet feel that ICR is just not the way to go. I am sure a lot of people around the table would either want to support both of them very strongly or cannot stand both of them together.

As far as Congress goes, sometimes those views are divided, and I would not want to see the study boxed in.

MR. COOPER: I think what they are doing is they are looking at the combined total cost on every one. I think it would be appropriate to make some judgments, value judgments, on it, what part of that is due to O&M and what part is due to ICR. It is total cost that is really the driving force. It is not just O&M and not just ICR. What is the total bill that comes down to the Campbell's Plant in Sacramento that is going to make the decision. It is not just ICR. It is not just O&M. It is both together.

MS. FELLER: That may be true for industries, Jack. I have had some interest shown from some grantees though who tend to feel very strongly against ICR. Maybe not as much so on user charges. I would mention that in your survey of your grantees, you do divide that. In your plants, you have combined it. Maybe that clarifies why.

MR. DONAHUE: In our industrial survey form -- we have got a revised one here -- we asked them, an industrial plant, if they tend to distinguish between what they are paying in user charges and what they are paying in ICR.

MS. KOVALIC: We have no problems with looking at separate issues, and that is fine, looking at user charge and ICR. They are separate legislative requirements. But from the House's point of view, it is vital that the ultimate analysis be in the combined impact. You may well come out and say this is synergistic effect, you may say it is additive effect. If it is additive, hopefully if you have done your analysis well, you can split up where the burden is coming from.

If you have an opportunity to review the questions of Mr. Roberts' statement, you will see we are talking continuously about combined effect. Additive and synergistic impact may or may not be separable. If they can be separated, I think a good analysis would prove that.

MR. PAI: Both of your concerns will be addressed in the report.

MS. FELLER: Thank you.

MR. PRICE: I passed around the list of advisory group as we currently have it. If there are any mistakes on this, please bring it to our attention. We thought this would help you in contacting other people that might have similar concerns or problems.

This pretty well completes the individual comments.

I think now, Walter, if you could cover the Region 5 experience that you have had, then we will open up discussion following that to the general concerns.

MR. HUELSMAN: Let me let Ed do that since he has first-hand experience.

MR. DONAHUE: We went and visited approximately 20 cities in the Midwest -- Illinois, Ohio, Minnesota, a few in Michigan and Wisconsin, Indiana, not necessarily to come up with conclusion of information, we know we are going to have to go back and get some more. This is one of the things we found out. But to try to test the draft survey instruments that you all received copies of, to see if we were asking the right questions, if they were phrased in the way people could understand them, and if they were phrased in such way that people could answer them.

We found out it is going to take more effort on the part of industrial plants and grantees to come up with the information. It is hard in a municipal environment to find out what a city spent, what its costs were, two or three years ago. Somebody switched from ad valorem or partial ad valorem support for sewer costs to something that is completely user charge funded now. It is hard to go back and find out what it cost them before. People might be able to tell them what their sewer bill was two years ago versus what it is now.

We are trying to find out why it increased. Did it increase just because they used to pay their operating cost on a sewer charge bill, but paid their debt service out of property taxes, now they pay everything out of a user charge. People perceive it is costing them more for sewage, and indeed they are getting higher bill for sewage. The community is not spending any more for sewage. We are trying to get that information. If there is a big increase in the bill, why? We are finding it is hard to go back and coerce communities to come up with that kind of information. It is also hard to get it from industry although not as hard as it is from municipal agencies what they spent two years ago, three years ago, that kind of thing, although they are much more able to do that than industries are -- excuse me, than municipalities are, because industries are used to accumulating that for financial reporting purposes and audit purposes.

We also found we had to make a lot of callbacks to get data to complete the study, like asking for a list of large water users in a community. We have found nobody that we visited on the first visit who was able to provide that, even though they saw the draft questionnaire a week ahead of time, because in many cases the agency that provides sewer service is not necessarily the same agency that provides water service. You have to go and talk to other people, the people that you ask to provide information, say we do not have it and did not bother to go beyond that.

We also found we had to rephrase some of the questions because they were not completely understandable by some people. We did rephrase them also so that we could use the survey instruments as some kind of data and coding formula, either for keypunching, decoding on disc, whatever, to do some statistical analysis.

MR. HUELSMAN: How about difficulties getting detailed breakdowns of cost of operations and where the revenues come from?

MR. DONAHUE: A lot of municipalities have a hard time telling you what it cost them to do something. They can tell you that we took in $400,000 in sewage service charges three years ago. As far as finding out what it cost them to operate their sewage plant, they have a hard time telling you, particularly if they were financed out of ad valorem taxes, they have a hard time telling you what their total revenues were, what their rate of collection was -- all of this kind of stuff.

There is very little uniformity in how they do things. How rate structures are put together is a nightmare to try to compare from one city to another. Did they charge everybody so much a gallon, so much per pound for pollutants, and did they have declining block rates? If somebody had declining block structure for sewage, and goes to a straight out sewage charge, it is hard to compare the data because it is not very comparable kind of rate structure. People have all kinds of strange -- I am not saying this in a derogatory sense -- but unusual kinds of approaches charging people for sewer services where they did in the past.

They are starting to work toward a cumulative, but more or less standard approach to setting sewer rates now. In the past there were an incredible variety of sewer rate structures. So it is hard.

Also if you go back and ask an industrial plant what part of your property tax was used to pay for sewage, they cannot always tell you.

We are trying to get as much of this information as we can. We will take it at total level if we cannot get detailed level. We are always asking detailed breakdown. How much of your sewer bill is for this, that or something else?

When we get into cases where people had special assessments versus property tax versus pay as you go kind of thing, a variety of data.

MR. HUELSMAN: Essentially when we get in and we are trying to break down the rate in as small detail as we can so we can analyze it and build it back up, we are an industry here that does not have in quotes a standard chart of accounts, it is not like some of the utilities that everything must be recorded the same way, rate making is an art. Okay? It is an art. You have great flexibility because we have lots of different pieces of costs that we can build up in this thing. In this environment, as Ed says, we definitely are getting total, we are attempting whenever we can to break that down into smaller detail for analysis. But it is difficult.

If the grantees will bear with us, and believe me they do not have the information, and we are trying our darndest to work it out of them. It takes good cooperation. It really does. If there is one issue that is the toughest of the whole darn study, that is really it.

MR. DONAHUE: One thing we have told people, too, in a couple of cities, we went and talked to people from the Chamber of Commerce and we are getting some strong philosophical kind of argument against ICR and user charge. We are getting people of various persuasions saying it is a violation of the tenth amendment, it is encouragement by the Federal Government to state and local government, double taxation or whatever. We are trying to tell people firmly, but politely, that they may have validity in their arguments, but that is not the kind of argument we are looking for. We are looking for hard data as to what it is costing people or what it is likely to cost people. We cannot really be the fairer of philosophical arguments.

MR. HUELSMAN: One of the questions that you raised (indicating), we are trying to give you a flavor of Region 5, and the other one you posed was the flexibility to implement ICR regulations.

There is great flexibility.

MR. DONAHUE: There really is.

MR. HUELSMAN: In trying to get a handle on this and analyze it on a comparable basis, it takes a lot of questions, detailed questions of grantees primarily. We are attempting to do that.

MR. SILVERMAN: I just wanted to make a comment.

It always seemed to us that one of the reasons there was so much controversy about user charges and ICR was the level of accounting and billing and record keeping competence of municipal grantees was very low. That is not their background, and when they hired people, they did not hire people in this area.

I wonder if you would comment on that?

MR. HUELSMAN: On those agencies where they are tied in very heavily with the city, where the city is doing their accounting, I think you will see a better change of a budget and cost breakdown. Where we have the fund accounting type thing and the agency is doing all of it itself, and this is a very general statement, I think you will find that they do not have the same level of detail.

MR. DONAHUE: If somebody was in the habit of sending out water bills or sewer bills in the past and charging on some kind of usage basis, even if it was the declining block rate, it is much simpler for them, common sense, much simpler for them to have user system and ICR system than somebody with ad valorem tax in the past and did not have a data base --

MR. SILVERMAN: Some do not know what their O&M costs are. I hope you would bring that out in the report. Not to chastise them, but to point out the needs.

Are you going to make any recommendations, since you are experts, you not only know about the stuff, you know how to consult with other people -- are you going to make any recommendations for the upgrading generally of municipal billing and accounting systems?

MR. DONAHUE: It depends on what we find. We are reluctant to make recommendations for the Federal Government to do something like that, but if that data is the data we find -- it depends.

MR. HUELSMAN: You raise two things.

The first thing relates primarily to the way they collect their costs, and display that, and really control and run their business.

And the second thing is how they just send out bills and collect the money for it.

The first one is really the gut issue, and the gut problem, okay? I think that is going to be addressed to some extent in the UC/ICR evaluation that we are doing. We are addressing part of it there. It will be brought out. You will see the differences.

MR. SILVERMAN: I think that that is the most useful thing you could do.

MR. PAI: A user charge and user base, ad valorem tax, whatever you use, would require them to upgrade their bookkeeping.

MR. HUELSMAN: It should.

MR. TEITEL: I would like to get a clear characterization of the study as it will be handed to Congress. I sat here a few moments ago chuckling at some of the experiences that you encountered, people advancing their own philosophies on the subject.

The question that subsequently came to my mind was C&L is going to submit to EPA some hard data. Now, I suspect that they are going to be some thoughts, whether they are couched in the form of conclusions or recommendations that are going to be submitted and clear statements, full sentences, not numbers, to Congress. And I would like to address this question to EPA if I may to get an idea as to just what EPA might do with these numbers. Perhaps they are going to try to steer clear as best as pcssible, offering Congress an objective view of the findings, but the question I am really asking is will any conclusions accompany these numbers? Will these conclusions reflect what one of these philosophies advocates?

MR. PRICE: I think legislative history is pretty explicit. They are looking for EPA to come up with recommendations, not just findings and conclusions. Now, we will be looking at basically the contractor to develop, first of all, very detailed data base, and from that arriving at certain findings, conclusions, and we will be looking for Coopers and Lybrand to draft some preliminary or tentative recommendations. Then there will probably be an iterative process by which those are kicked around, not only with the Advisory Group, but within EPA, but in the final analysis it will be EPA that has to submit its recommendations and any supporting information to the Congress.

So I think there will be something very definitive coming out of this effort to Congress.

MR. TEITEL: I would like to offer you the following advice based on that scenario. That is, as you know, numbers can be interpreted many different ways, and if and when you approach a point in time when numbers you are in receipt of reflect the situation where you could go in one direction or another, that you seek the advice and counsel of any interested parties as possible, and it may come at a point in time when you have already fulfilled your obligation for notice and comment, et cetera. I leave you with that thought.

MR. PAI: Let me answer that question.

I think we all have a chance to look at data, number one. We will all have a chance to look at the way the data is being analyzed and interpreted. We are looking for any of your proposed alternatives that will be part of the overall alternative strategy we are going to look into. You may have some idea of how ICR approach, user charge -- we will entertain that kind of proposal. We will take them and look at them and even though the final recommendation will be iterative process, but what I am saying is any alternative you propose, Congress will have a chance to look at it. We are not trying to cut down alternatives and, in any way, show prejudice about how any group of people feel.

If you have any alternative that you think, based on the data we have some day, and you have a chance to look at it, or any other group may have an approach to the problem, we would like to have them.

As I point out, the final recommendation is not going to be unilateral, it is going to be a group decision.

I hope that answers your question.

We will have another meeting like this in August, in the latter part of August, and there will be an update. Hopefully, in the latter part of September, we will have another meeting in which we will present to you everything at that point as a dry run before we take the report to each Regional Office for the public hearings around the country.

We will have two more meetings like this, one at the end of August, and another one at the end of September. By the end of September, we should have most of the data analyzed at that point.

MR. BECKER: Will you have recommendations at that time?

MR. PAI: I do not think so.

MR. HUELSMAN: We want to have part of public participation --

MR. BECKER: I think that is backwards. But I would like to second what you are saying, Jeff. It is very easy to take some numbers, as he is saying, and make two completely different recommendations.

A prime example of this is the National Commission on Water Quality report.

MR. HUELSMAN: Maybe I did not say it right. We are not just going to be summarizing and presenting numbers and say, okay, here are the numbers we found -- that type of thing. We are going to be drawing the conclusions. They are going to be case study histories as part of this. This is not just statistical.

MR. PAI: We are going to interpret the data with you and see if you agree with the interpretation.

MR. BECKER: I would like to recommend or stress to give as much time as possible to a discussion and analysis of the actual recommendations that will be made to Congress. I do not think it is a bad idea personally -- I think you would probably get more data if you started off with the scenario of various recommendations.

MR. PAI: You are suggesting we make the recommendation before we take the report out?

MR. BECKER: I definitely think so. I just know what happens to reports, in all due respect to Congress. I know what happens to reports when the recommendations are made to Congress. Many times they are just ignored.

MR. PRICE: I think as far as the Regional hearings are concerned, we would like to have that confined to the data base, the findings and conclusions. If we presented the recommendations at that time, we would find people getting so bogged down on just recommendations, rather than the real conclusions, and the data supporting them, and that is the action we really want at that point.

MR. PAI: We want the recommendation to be public recommendation. In other words, Regional input will form the base of our final recommendation.

MR. BECKER: I think the recommendation should be public recommendation. That is why I think it should be given as much time as possible to have the recommendation discussed by the public.

MR. TEITEL: Let me offer a solution, if I might, to the dilemma we might be facing here. That is again numbers can be interpreted in different ways, and I would not want to unduly influence the agency to accept a particular format for completing this study. But certainly one approach that you might consider would be a pro and con approach.

I leave you with that.

MR. PAI: We will do this, alternatives proposed, we would like to have an additional list of pros and cons for public comment --

MR. SILVERMAN: I would like to say something on behalf of the intelligence of the Congress and how they use reports, particularly with regard to National Water Quality Commission report.

I think the Congress did not just read the ten-page summary of the report, which was a political document put out by the political parties, but they read the staff work. That Commission had excellent staff work. They looked at the data and they looked at the recommendations and conclusions of the staff and the technical experts. That is what they relied on, that is what they listened to. That is what they made judgments on.

Consequently, you find in the 1977 legislation none of the recommendations of the Commission was adopted. However, I think if you ask any of the Congressmen whether the Commission was worth the millions of dollars it cost, they would say absolutely yes because it developed the data. I think Congress is going to be looking to you, and I would not be surprised if the contractor got calls, independent of EPA, independent of Mr. Jorling and some others and say what is your opinion?

It seems like you fellows and the people you work with will soon become among the foremost national experts in this area, based not just on reading what other people have done, but on your own work as well as reading what other people have done.

I would expect you would earn your keep and make your own recommendations to EPA. Not that EPA has to accept them, because they do not. They are subject to other pressures and so forth, and they have to answer to. But I would hope you would honestly state your own opinions as to what needs to be done.

I think also that will make it easier to interpret and to judge the objectivity of your work. People do have opinions and when they do not express them openly, they often express them implicitly. That is not very helpful.

MR. PAI: To answer your question, you do not have to worry about the recommendations of this study. As I said, this is not going to be a decision that Truman or that I will be making. It is going to be a decision we all are going to make here. I think that speaks for itself.

MR. HUELSMAN: We are hoping to be able to come to this group here in the latter part of September, basically three months before, now that we have got our extension, almost three months from the time that the first flush is out, so to speak, and then we will be able to get the impact from around the country which happens to be the first part of October, and we will be able to sift through all of that, okay?

We will come to our conclusions and we can take it from there. You can be assured of that. We have worked that way in our present study, you can be assured of that. I think with that much time and interaction from the group here that is interested and knowledgeable, I think we will come up with a good product.

I think the pro and con, I think there are a lot of ways to describe it. We can draw conclusions from the facts.

There are a number of questions that we are gathering that are opinions, and we are telling the people what is your opinion, and we are going to state that is an opinion, because there are a lot of other issues here that we ought to be able to get some basis of information, data base, for the agency. We are going to do that.

MR. ELICOTT: What if, on some of the questions that you are going to consider, what if it happens that the opposite case turns out to be true, in fact there is not a plethora of numbers of graphs and charts, there is not enough information at all?

MR. DONAHUE: Then we will report that.

MR. HUELSMAN: We have two alternatives. We can do two things. One, we can see is there another way to address that issue? All right. We know we can get total numbers. That is why we did the pilot. We are pretty well satisfied with that. But if we find there is not what we consider substantive information to draw conclusions, we are going to say that. We never guaranteed we would be able to 100 percent factually answer every one of these issues.

MR. ELICOTT: Following up on that point, I want to ask Ed, what is it in the new questionnaire to grantees that you think will make it a more successful survey or instrument?

I am concerned that you may find that grantees will not be able to provide you with quite the depth of information that you want for a number of reasons, not all of them good, you know. Sewage treatment agencies get their back up like anybody else.

MR. DONAHUE: We did not really change the questions so much. We changed the phrasing. I think some are clearer. With some people it was a semantics problem more than data. People interpreted terms differently. We tried to be more specific and concise in commonly agreed upon definitions.

We tried to reduce it more to the kind of thing, instead of open-ended question, some of the people had gone and developed all kinds of pages and pages and spent hours and hours writing long texts and narratives, and we did not want to scare people by thinking they had to do stuff like this.

We wanted them to spend as little time as they possibly could to answer these questions, but enough to answer them as accurately as they can.

MR. ELICOTT: Were you satisfied on the basis of field testing you did in Region 5 that the responses you got from the people you were talking to were adequate, and I assume you feel they were representative of the kind of response you are going to get around the country?

MR. DONAHUE: The responses we got in Region 5 coupled with some additional questions we have since added to the questionnaire and some rephrasing and restatement of those makes us feel that, yes, I am confident we will get accurate enough data to come up with some decent findings, conclusions and recommendations.

MR. HUELSMAN: I will say one other thing, that we also found out in Region 5 that there were a couple of other pieces of information, one very difficult to obtain, and we have gone back and looked at that and determined whether that is a critical piece of information, and if it is, we are sticking with it and we are trying to get it a couple different ways.

We have also identified some of these -- there are other ways to address that issue. We have identified that so our people doing the work, knowing which are the critical pieces of information and what are the icing on the cake, so to speak.

MR. BECKER: Have you analyzed any of the data yet?

MR. HUELSMAN: No, summarized or anything like that.

MR. BECKER: You know what my next question would be, what recommendations would you make at this point?

MR. DONAHUE: None.

MR. HUELSMAN: Honestly, we cannot.

MR. PAI: You are in the process of continuing to analyze this data, and can you send him a copy before the August meeting comes?

MR. DONAHUE: If it is available.

MR. HUELSMAN: If it is available. We have a lot of information that is supposed to be coming back in. We are going to be continually following up on that.

MR. BECKER: That is a good point. I am not sure how you are planning on developing all of this. But if we had data, if you showed us preliminary analyses of some of the data you had, and if we felt there were not industries that were discharging toxics that were included in this, and we feel that the costs to them are going to be exorbitant, then perhaps through the major trade associations we can seek out members to supply your additional data, information, that might change your --

MR. DONAHUE: If we can do that, fine. You realize it is a really tight schedule. Congress did not allow a lot of time.

MR. BECKER: They give extensions.

MR. DONAHUE: We are going on the premise that we have to meet the present Congressional deadline, and we intend to do that.

MS. FELLER: The moratorium is 18 months, and the study is 12 months. If you extend the study, you do not give Congress much chance to act.

MR. PAI: If you have anything or if your members have anything to say, be sure -- not expecting that we will extend the date -- be sure to get everything they can think of as early as they can. We have every intent to meet the December deadline. Unless there are some very extraordinary conditions, we will try to meet that. We understand the difficulties you also run into.

MR. BECKER: I do not want to speak for Congress, but I would think they would be the first to admit that if the data is not accurate or adequate, then they would extend the time period in order to gather data.

MR. COOPER: Let us give it the effort, and we will see where we are.

MR. PAI: We have a schedule here. That is one reason we get you involved early. When you talk about extension of time, I do not know how long a period of time it would be. At this time we will advise you that December 27 is the deadline. Any data coming in before August 31 is the latest time that we can put data into our process. That is as much as I can say at this time.

MS. SAVAGE: I know everybody wants to leave, and there have been all these compliments you have been getting, and at every meeting you are showered with compliments from everybody. I think that is worth analyzing here, especially from the EPA point of view.

First of all, you have NAM that is showering you with compliments, Jack Cooper's association, and we have the environmental community, and we have Congress, the League of Women Voters, and everyone is trying to tell EPA something in saying you are doing a good job. This is the kind of method, the procedure that we would like to see instituted throughout EPA. I do not know if it is going to work. But this is what public interest groups and industry have been calling for for a long time. I think that is worth reflecting on and seeing how, in fact, it comes out in the end, bringing people together early on, and I thought that was significant, since so many groups are giving you these compliments.

MR. PAI: We need your help to finish the report in time.

MS. SAVAGE: When you said I do not know that much about the paper and pulp industry, I was absolutely shocked, because I have listened to EPA for a long time and have never heard anybody say that they do not know that much about an industry. I thought that was very significant.

MR. PAI: I understand that there are some loose issues that have to be tied up. The meeting is coming to a conclusion.

Let me advise you that we are continuously available for consultation with you. As far as public understanding of the program, Joan, any time you feel there is some particular issue you feel we should address, we will be happy to consider that and do not feel that just because we meet every month is the only time we can discuss the issues.

I want to thank all of you for helping us out, any of you here, as part of an advisory group. As I said, without you, we would not be where we are at this time. Let us continue this kind of effort.

MR. PRICE: I would like to have one last solicitation for additional constituent groups in the various cities that we will be visiting. It is important to try to get as much of this kind of reaction and comment at the regional level of local level as well as here.

MR. PAI: On the cities we are going to visit, if anybody has any particular suggestions, let us have them.

MR. PRICE: Thank you.

(Whereupon, at approximately 4:00 p.m., the meeting was concluded.)

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ORIGINAL

INDUSTRIAL COST RECOVERY STUDY ADVISORY GROUP

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Environmental Protection Agency
Room 1032 East Wing
Washington, D. C.

Thursday, August 31, 1978

The meeting was called to order at 1:50 o'clock p.m., John Pai presiding.

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PROCEEDINGS

MR. PAI: Good afternoon. Welcome, and thank you all for coming to our Third Advisory Group Meeting.

The first thing we will do is just introduce ourselves.

I am John Pai. I am the Project Officer for the Study, EPA.

MR. RULE: I am Bill Rule, Project Economist from Coopers & Lybrand.

MR. HUELSMAN: I am Walt Huelsman from Coopers & Lybrand.

MR. DONAHUE: I am Ed Donahue from Coopers & Lybrand, C&L's Project Manager.

MR. OLSTEIN: Myron Olstein, Coopers & Lybrand.

MS. FELLER: Mimi Feller, Senator Chafee's office.

MR. GALL: John Gall, EPA Region 1.

MR. HORN: I am Ted Horn, EPA Region 5.

MS. BAUER: Carol Bauer, Congresswoman Heckler's office.

MR. GERRISH: I am Don Gerrish, American Bakers Association.

MR. ADAMS: John Adams, American Milk Producers Federation.

MR. MORRIS: Richard Morris, National Association of Regional Councils.

MR. BUCKLEY: Steve Buckley, City of Fall River, Massachusetts.

MR. GILDE: Lou Gilde, representing National Association of Manufacturers.

MR. SILVERMAN: Larry Silverman, with Clean Water Action Project.

MR. KIRK: Don Kirk, National Food Processors Association.

MR. CROSBY: Ed Crosby, sitting in for Jack Cooper, National Food Processors Association.

MS. BRYAN: Dot Bryan, National League of Cities.

MS. BOOLUKOS: Susan Boolukos, American Frozen Food Institute.

MR. SNYDER: George Snyder, Greyhound Corporation.

MR. HARDAKER: Bob Hardaker, EPA 208 Program.

MR. BRODIE: Ed Brodie, Coopers & Lybrand.

MS. MLAY: Marian Mlay, EPA Program Evaluation.

MR. PERRY: Bob Perry, Water Pollution Control Federation.

MR. McDERMOTT: Jerry McDermott, National Coffee Association.

MR. PAI: For those who have attended the last meeting, I do not have to go through it, but let me introduce the format we are going to use today.

First, we will respond to some of the major comments we had from the last Advisory meeting. Then we will have our contractors brief you on the progress we have had up to this date. Then we will go around the table and have everyone give comments on basically the presentation we are making today.

After that, we will go through what we call a general forum comment period, and any major issues you want to bring up, we will take note of and see what we can do.

We have our court reporter with us today. He will take down all the major comments.

Before making your statements, please provide your name and try to speak as clearly as possible, or at least better than me, so we can have a record of what has been said.

Responding to the last monthly meeting we had, there were three major comments brought up to us.

No. 1 was brought up by Larry, and that is: We should have an economist on the staff or on the project, to really analyze the economic impact. We have Bill with us here today, and he will give some introduction or presentation of what he will be doing for the project.

Then another comment was we should have some 208 people involved.

We talked to their Director, and they are very gracious to send up Bob here today. He is with the 208 Planning Agency.

Another comment we had was we should have some equipment manufacturer, to know what is the technical feasibility of monitoring the industrial waste. We have contacted our friend Sebastian. I called him to let him know of this meeting. I am not sure whether he will show up today, but we are following through on this.

So that pretty much summarizes what the major comments provided to us last time were, and the action we have taken.

At this point I will turn it over to Ed Donahue, Project Manager for Coopers & Lybrand.

MR. DONAHUE: We have three documents we would like to distribute to the people.

The first is a statistical summary from cities that we have visited. This represents data from 45 of the 110 cities we visited. At the time this was put together we had only completed and sorted out the data from 45 of the cities. We have since then finished visiting the 110 cities.

A couple other comments on this: It is raw data. It is pure statistics and pure data.

It is not really analyzed, not refined. In some cases, it needs to be verified, but we just want to give people a feel for the kind of stuff we are getting.

It would be premature to try to draw any general conclusions from this data. It is just part of the raw data. That is the first thing we have to distribute.

The second thing is a brief write-up on the economic analysis that Bill is working with, which, hopefully, Mark Roberts from Harvard is going to be doing.

Another thing is the proposed schedule of meetings in the regional cities that we are going to be having later this fall.

I think most people who are on our mailing list have already gotten copies of one document, the findings to date in the 45 cities. So maybe I should start with that.

I do not think we want to take the time to read through all the stuff that is in here. I think if anybody has taken the time to look through it, they will find some apparently very interesting statistics.

The first little piece of information we have got there is that we really have not been able to find any plant closings due to Industrial Cost Recovery.

Every time we visited a city or talked to someone asking about plant closings, we found a couple of cases where plants closed, but never could we find anybody who was willing to attribute it to ICR.

A couple places attributed plant closings to increased water bills, increased sewer bills, but certainly part of the --

MR. HUELSMAN: Does everybody have the document we are talking about? It just starts out, "The 45 cities have not identified any plant closings due to ICR."

MR. OLSTEIN: The date on the bottom says August 23, 1978.

MR. DONAHUE: Nobody was willing to attribute plant closings to ICR.

In the cities we visited, we can get a feel down at the bottom of the page for the numbers of plants of each of these industries that we visited as of that date. Another thing I ought to say is we talked early on about five industries that we were going to pay particularly close attention to. We have since added a sixth one, textiles, because of some congressional urgings and exhortations that we do so. So that is not reflected in that list of plants down at the bottom of the first page.

One of the other things that is interesting on that first page of statistics is if you look at where the revenue came from before User Charge/ICR was instituted, and after User Charge/ICR was instituted, and this is residential versus nonresidential -- well, I am not sure what this signifies, but it is an interesting piece of information.

We are going to take a look at this and try to figure out how, why, and all that kind of stuff.

A lot of people said, on the second page, that they had some costs that could be eliminated. Some of the costs of sewage treatment in some cities could eliminate a lot of their administrative costs or a portion of the administrative costs if they could do away with ICR and still keep the User Charge.

The same thing with monitoring and enforcement costs.

At the time this data was compiled, we had only gotten a few survey forms returned from industry. We had visited a lot of industries, but this is lacking in industrial data. It is more city kind of data. Since then, we have been getting industrial data in, and we will have survey data from a whole bunch of industrial plants, which we will distribute to everybody when we have it in some other kind of tabular form.

The other pages here just show the distribution of the kinds of rates we found in different places. You can see that this is all raw data, and I do not mean to confuse or bewilder people. We have not had a chance to analyze it. It was only six weeks ago that we started collecting the stuff. We really have not had time to look at it.

If anybody has questions about this, we would be glad to answer them later. I would rather get down to the two things which I think we can really put our hands around. One is the little two-page document on Economic Analysis we have proposed to conduct, which we are going to let Bill discuss; and the other thing is the schedule of meetings in the regional cities in October.

I would like to see if anybody has problems with that suggested schedule or with the suggested format that we have outlined for those meetings.

With that, I am going to ask Bill to tell us about the Economic Analysis.

MR. RULE: The piece of paper I am going to be talking from is the two-page sheet with absolutely nothing identifying it.

The major thrust of our economic analysis will be to answer four basic and, to a certain extent, interrelated questions.

The first is to outline the economics of the decision on the part of an industrial plant, on whether or not to participate in a local POTW or to engage in self-treatment?

Secondly, how that decision function is related to the size of the plant, the age of the plant, and other factors that appear to be pertinent.

The third is to assess how extensive the economies of scale in publicly owned works are, and what the impact of any such economies of scale would be on ICR rates.

And, finally, to assess the degree to which an ICR system would lead to a divergence between -- in economic jargon -- what we would call the private and social costs of treatment.

Perhaps I ought to go into that a little bit. The private costs that I am referring to are basically those direct and immediately observable costs of treatment. For instance, it is the operating expenses and capital expenses of POTW. The costs or outlays on the part of firms, both capital and operating outlays, to run pretreatment facilities and self-treatment facilities, and, to the extent appropriate, conservation facilities. Whereas the social costs are the total costs from the standpoint of society.

Now, the hitch in social costs is that, to a certain extent, they inevitably are unobservable. The impetus to sewage treatment in the beginning is a social cost and one that is not directly observed, one that the economist calls an externality. That is, for instance, a plant generating industrial waste, dumping it into a river, what he is actually doing is imposing costs on someone else down the river. That cost is nothing that is reflected in the marketplace. The costs borne by the individual down the river cannot be directly attributable to the person discharging.

But in doing an analysis of a program of this type, we want to try and nail down the private and social costs aspects of ICR. It is quite conceivable, for instance, that without ICR the private costs, the apparent private costs, of treatment would be lower than under an ICR system. Yet the social costs would be higher without ICR than with.

From the standpoint of government policy, as it is enunciated, the intent is to try and minimize the social costs of cleaning up the water. So that is necessarily a very relevant aspect of our investigation.

Now, the direct approach to answering all these questions would be simply to go out and get some data on the way things were before ICR, and then get a set of data describing how things were after ICR, and compare the two, and analyze the shifts in terms of cost burdens, prices, and so forth.

Unfortunately, we do not have a record of experience that is long enough to possibly capture the long-run effects -- probably not capture the intermediate-run effect of imposing an ICR system.

It is my understanding that the rates have actually been in place for less than two years in most localities, and that certainly is insufficient time to observe all of the economic adjustments of all the parties involved. You simply do not shut down an industrial plant on six weeks' notice. It takes sometimes years before a policy action, such as ICR, would be fully reflected through the adjustments of the plants and industries involved.

So our alternative is going to proceed on basically two levels, one of which is a qualitative assessment of the impact of ICR, both in what we call partial equilibrium sense and general equilibrium sense.

A partial equilibrium analysis basically is what generally appears in the literature. It reflects the adjustments of an individual economic unit without taking into effect all the compensating adjustments throughout the rest of the economy.

General equilibrium analysis, on the other hand, places those same adjustments within the context of all of the countervailing forces in the economy.

Now, this sounds like a very elaborate undertaking. I do not mean to imply that. What we are basically going to do in as simple language as possible is to describe the kind of reactions an economist would expect to something like ICR, in terms of price of the product, adjustments, proportion of ICR costs that would be borne by the industry, and the proportions that would be borne by the consumer; the extent to which a system like this would lead to favorable or unfavorable impacts on the balance of trade, the employment and output effects of ICR, the impact on the cost of capital for the firm, for the size of the capital plant for the typical firm, and so forth.

On a quantitative basis, our efforts are going to be directed towards trying to find the thresholds in the relevant dimensions beyond which a typical plant would be thrown over from use of POTW to self-treatment.

Now, in order to arrive at those thresholds, we have contracted with an experienced engineering firm, Camp Dresser, who will be providing us with cost equations for all the various elements in the range of treatment alternatives faced by firms in the six industries under study.

We are going to take that cost data in combination with data that we are collecting in the survey and data available from EPA and from the Commerce Department and attempt to structure simulation models for a typical plant in the six industries and for the major variants in terms of the kinds of plants that you observe.

Those models also will then be used to structure the array of cost alternatives that a plant faces. There is a certain amount of cost associated with pretreatment, a certain amount of incremental costs for self-treatment, to reach a level where you could discharge directly. There are certain costs associated with conservation to a given extent. These costs will be computed and compared to ICR rates.

In essence, what we are going to do is transform these costs into what I would call simply an ICR threshold rate, that is, the rate above which, if the firm faced an

ICR charge, the firm would opt out of POTW and into some form of self-treatment.

That is basically our approach.

By having these types of models constructed, we can go to the survey data, to the commerce data, assess the range of plants actually in existence in terms of age, in terms of size, and, for each major segment within an industry, calculate our ICR threshold rates. Those rates can then be compared with those ICR rates currently in existence, and those that could be reasonably projected to be implemented in the future, and by comparing the two I think we can get quite an accurate assessment of the impact of ICR on these six industries.

MR. DONAHUE: Thank you, Bill.

Up until now in our previous meetings and in conversations we individually have had with people here, we have been able to talk about pretty simply kinds of things, cities we were visiting and data we were finding. Once you start getting into the analytic end of things, it becomes more difficult to keep things on a level where people can understand them.

Bill made an effort today, and we have to keep that effort going in any reports, or whatever, so that when we issue a draft report or a final report that people can understand what is in it.

You get to some pretty sophisticated engineering and economic analysis, equations kind of stuff, and we are going to have problems communicating to our average citizen, average industrial customer, of a sewage plant, about what is going on.

If we issue a final report full of engineering equations, we are dead in the water, nobody will understand it. One of our biggest problems is taking all the data and all analyses and putting it in some kind of format that the people will understand.

Next I would like to talk about our schedule of meetings. I hope you all have a copy of the proposed schedule of regional meetings.

We think at this point we will have information on a regional level for the States in each of those regions as to what we found, and a little bit of analysis of it, much more so than the kind of raw data you were handed here today. We will have completed all our visits, all our interviews, in all 300 cities. We will have all industrial survey forms received and analyzed to some extent and be able to come up with some kind of findings -- what you have got here today is just findings, raw data -- we will have some conclusions as well as to what it means.

We probably will not have any recommendations to make at those regional meetings, because we are looking at those regional meetings to be a two-way kind of thing. We want to communicate to people who are interested, or people that we were not able to visit or people who were not satisfied with our visit, what we found and what we think it means.

We also want to get from people that we did not talk to in the past their comments, their statements, whatever, that they would like, and enter them into the record, from which we will try to use them in analyzing and formulating recommendations that we are going to make to EPA for EPA to transmit to the Congress.

So we have meetings scheduled tentatively for the ten federal regional cities, and the dates for each of them. Some of the cities we only scheduled for one day, because of the nature of the industry in that region, the number of industrial establishments in that region, and we do not think we need more than one day.

In some cities, particularly in the Northeast and Midwest, where you have heavy industrial concentration, you are going to need more than one day.

The format that we suggested for these regional meetings, if anybody has any ideas about how that could be changed or improved, we would be glad to have them. That is just initially how we think things will happen at the regional meetings.

So I do not know that we have anything more to say. We would like to go around and get everyone's preliminary ideas, if you have anything right now.

We would like to go around the room and get people's reactions to what we have given them, answer questions, whatever people would like to do. The only thing we do ask is you do identify yourself and do speak clearly so our reporter can capture what you have said.

MS. FELLER: I just had one question. When you were talking about the Economic Analysis, has any thought been given to setting a threshold figure for the municipal administration costs of the system, where it costs more than what you are actually collecting in dollars to administer the whole thing?

MR. DONAHUE: This may be prejudicing the study, but one of the things I am sure we are going to recommend is if a city can show it costs more to administer ICR system than they are going to collect from ICR, that some consideration should be given to discontinuing ICR in that case.

You have to be pretty careful that the city, or whoever is running the sanitary district, does not blow everything into that administrative cost. The burden of proof is really going to be on them. That is probably going to be one of the recommendations, that some consideration will be given to doing that.

If it is costing you $20,000 a year to take in $1,000 a year in ICR payments, there is something wrong.

Do you have anything else?

MS. FELLER: Not right now. I will maybe make some comments after everyone else.

MR. GALL: I will defer.

MR. HORN: Who is going to set up the regional meetings?

MR. DONAHUE: We are going to do it in conjunction with the regional -- well, whoever John tells us to deal with.

MR. HUELSMAN: I am not sure that the logistics and all have been worked out yet, to be quite frank.

MR. GERRISH: I think you ought to be publicizing the regional meetings.

MR. DONAHUE: We are going to work with EPA's regional information or public information officer, whatever title they have currently in the regional office, and try to generate some press releases or whatever in the local media a couple of weeks beforehand.

MR. HUELSMAN: It will be EPA's responsibility to select the site, make the necessary announcements, and we will be working to give them any help we can.

MR. DONAHUE: We will work with them.

MR. HUELSMAN: And select the location, and take care of all those arrangements.

MR. HORN: I am the local Region 5 expert. I am already committed to another meeting in San Francisco on the 26th and the 27th. Our time is so heavily scheduled for so many months in advance.

MR. DONAHUE: That is why we tried to circulate this now.

MR. HUELSMAN: We went through the logistics of dealing with the two to three hundred cities, and you certainly were involved with that, Ted. You know what is involved. We are open for some changes. The time is pretty well locked in the study. Last time we were talking about the criticality of having the report ready in time for December, the end of December, and we got an extension, as I recall, last time -- she is not here -- of a week or so. But this time period is critical. If we can work things out within the time period, fine.

MR. HORN: One other comment on the economic studies.

No. 1, it says: "What are the economics of the decision on the part of a plant" -- I presume of private industry -- "to participate in a local POTW or self-treat?"

Of course, there is tremendous influence now with pretreatment regulations.

Secondly, it isn't private decision. It is not industry's decision. There is a myriad of things there. It is the way it is phrased. It would be like it is an industrial decision.

MR. HUELSMAN: It is not a total economic decision, either. That is the point. That is correct, we are going to be addressing or getting our hands around the economic aspect of the thing, which was the intent of the study.

MS. BAUER: I am Carol Bauer, from Congresswoman Heckler's office. I have a couple of questions.

First of all, to Bill, the economist: You mentioned, Bill, that one of the components, economic components, that you would take into consideration would be the cost to the firms of pretreatment, as to whether or not they should tie into the city system before pretreat. In one of the cities in Congresswoman Heckler's district, Charlton, Massachusetts, the one I am aware of, Electroplating industry is the major industry for the city, and for those industries it is not an either-or situation. They have to pretreat before they can tie into the city system.

How will you take that into consideration? It is a secondary economic factor, but it is a factor.

MR. RULE: I had hoped, when I wrote this thing up, that it would be general enough to imply that that kind of decision in economic jargon is a marginal decision, in using a POTW or self-treating. You have a range of alternatives. Some plants have to pretreat, and therefore they have a certain block of treatment capital in place, in facing an ICR, than they may be faced with relatively, well, smaller or larger capital costs, depending on whether or not they do have pretreatment facilities in place.

That may very much affect their reaction to an ICR.

For instance, a firm that has no pretreatment whatsoever may face a million dollars' worth of capital outlays, if they were to self-treat to the extent they could directly discharge. If they had statutorily dictated pretreatment in place, the incremented costs to achieve the direct discharge standards might only be $100,000.

Obviously, the ICR rate that you could impose on the second type of plant would be much lower than on the first, before you throw him over into withdrawing from the POTW.

Now, those kinds of things would be taken into account, yes.

MS. BAUER: They are heavy expenditures for these. I know in a couple of cases we are talking about several hundred percent differences from one year to the next on pretreatment.

MR. DONAHUE: Reed and Barton is a case in point. I think they said they spent about three-quarters of a million dollars for treatment facilities. Now they are going to be hit with a sewer rate of 21 cents a thousand gallons, which is about the most expensive I have heard of anywhere.

MS. BAUER: I am glad you are as overwhelmed as we are.

MR. DONAHUE: That is a pretty phenomenal sewer rate.

MS. BAUER: One other thing on the economic question.

I know from working on legislation from Day One that one of the major factors that Congress had in mind in this study was not only the costs of ICR, domestically, internally, et cetera, for a company, but also the potential cost to government with ICR.

Let me explain myself a minute. If we are talking about a city that has a high unemployment rate, a labor force that is moderate or low-paid, well, I am giving you the picture, if we have in that city several plants that are marginal as far as will they be able to remain open, ICR is something that is being imposed on them, ICR is a major factor in whether or not they will remain open in that location, and whether they will close down entirely, whether they will move elsewhere. If they would, we are talking about unemployment compensation, we are talking about food stamps, and we are talking about CETA, and we are talking about numerous other federal programs that would have to come into play, which would cost the federal government.

The Congress had in mind a balancing of factors here. Which really costs more? I did not hear you touch on that. I know it gets back to the question of, is ICR the straw that breaks the camel's back? That is the real question.

MR. HUELSMAN: I think what we wanted to do, first of all, was really address the issue of: Are plants being scaled back? Are businesses shutting down because of ICR coming in right now? We wanted to get a factual handle and documentation on what is the extent.

The second thing, if we saw it was a major extent, then I think we have to go and address those exact issues that you raise.

If, on the other hand, we do not see a major impact, we do not see any proof of that, I guess I am really asking the question: Does it make much sense to do that type of analysis? Or what would what type of analysis provide?

MS. BAUER: A case in Fall River, and I believe this is about a year and a half ago, a major company, in finding that ICR was coming a few years down the road, though not in the immediate future, decided, even though they did not know the exact cost for them at this point, that for them it was the straw that broke the camel's back.

For them, that was several hundred jobs. That is not something that would come in your study, but the plant is already closed.

It was a factor a couple of years ago in projecting what the costs would be.

MR. OTTMAR: Plant expansions have been cancelled because of ICR. That should be taken into consideration, too.

MR. DONAHUE: We will take as many of those things as we can into consideration. At some point you have to draw limits as to what you are going to consider in a study like this. We could end up studying the whole economy and all the things that go into it. We could spend a lot of money and I am not sure we could come up with anything very concrete.

We would come up with very profound statements, but I am not sure how useful they would be.

We would take as much of that into consideration as we can in analyzing the stuff. I do not know if we could consider what ICR is going to do as far as level of CETA funding in Fall River. I cannot promise that.

First of all, I do not know if we could determine it.

MS. BAUER: You could determine potential unemployment and factors like that, and we do have figures on how many of thoese people would be food stamp recipients, and so on. So that portion of the study would not really be for you -- I mean, the work is done is my point. It is in the Agriculture Department, or it is in the Labor Department, as to what percentage of those people, or what employment figure triggers X number of CETA jobs.

MR. PAI: You are referring to social costs.

MR. RULE: Certainly one of the social costs.

MS. BAUER: You also did not address -- well, you referred to plant closings, but, as was mentioned in this case, we are talking about a cancellation of a plant expansion. Will that be addressed?

MR. HUELSMAN: We are obtaining that information.

MR. DONAHUE: One of the things we ask for in a meeting in Fall River, and Steve Buckley, down at the other end of the room, was there, one of the union representatives who spoke talked about three or four plants that did not carry through expansions that they were planning because of increased sewer costs, which, of course, ICR is a part.

But he did not want to publicly discuss that kind of thing. The comment we made there was, Please give us that information. If you will not tell us about who they are and what they are, we cannot really investigate them. That is part of it, too.

MR. OTTMAR: Some factories have decided not to expand. I remember Aluminum Processing.

MR. BUCKLEY: Aluminum Processing.

MR. HUELSMAN: Get some facts and figures. That is the whole thing. We want to get facts and figures on what has been done in the past and what is going to happen. We are asking: Are you going to curtail expansion? Or are you not going to expand here, but you are going to expand some place else? That type of thing.

We wanted to try to address that issue, once we saw how big an issue it is.

If we are talking about -- I will be ridiculous -- if we are talking about 500 jobs across the United States, if it projects out like that, it is certainly not a big national issue that has to see the ripple effect, the effects that you mentioned.

If, on the other hand, it is 50,000 or 100,000 or whatever, a significant number, then it needs to be addressed. The thrust we are taking is: Let us get our hands around how big that is, but let us make sure we can support that with facts and figures, not "I think" or "I wonder" and that sort of thing.

MR. DONAHUE: Carol, I realize you have a responsibility to your constituents, to the Congresswoman's constituents, and we will emphasize as much as we can those things that are regional or local. But --

MS. BAUER: That was the next question.

MR. DONAHUE: But the thrust of our study has to be national kind of problems. You have a fairly unique situation. I am not belittling it or demeaning it. It is very crucial for that part of New England. But really the thrust of our study is a national kind of thing. We will devote as much attention as we can, and identify as much as we can, to regional kinds of problems and try to formulate some representations as to how to address them.

MS. BAUER: When you study them as a regional problem, will you study not only the particular ICR problem, but also the economic situation of the area, i.e., New England has a higher unemployment rate than nationally.

Will you take the social factors and apply them to the region? That is really my question. Because what we do not want to do is be in a position of encouraging New England industry to move elsewhere, to be perfectly frank.

MR. BUCKLEY: Industrial Cost Recovery to, let us say, Fall River is not a national thing. It is regional. It is specifics. That is important to us. We cannot deal on a national basis. We have a very unique situation, social and economic specifics.

MR. PAI: John?

MR. GALL: This is a question to Bill which hopefully will explain a little bit to Carol.

In the initial outlay of the specific regional meetings that we now have tentative schedules for, there were indications that there were going to be regional analyses done.

MR. HUELSMAN: That's all we are going to have.

MR. GALL: At that time.

MR. HUELSMAN: At that time.

MR. GALL: I presume that your model takes the form of some kind of, like an analog, with certain set of variables on a national level, where you plug in average values for this. Is it possible to modify that, or is it reasonably or economically theoretically practical to modify it on a regional level?

MR. RULE: I do not know about the economic practicality, but I think I can state with some certainty that the time constraint will rule out a lot of possible modifications to regionalize the models that we come up with. Certainly we will try.

But we are talking about a very tight time constraint, and it is going to be difficult enough to get something workable on a national level here.

MR. HUELSMAN: One other thing, and that is, if you tried to look at an impact on industry, strictly on a regional basis, it will be the number of businesses we have within that particular State, and if we are trying to draw some conclusions based on five or eighty specific plants in that particular industry, and in one particular region, and we only have three, it is pretty difficult to try to draw some significant conclusions.

So, when we talk about some of the industrial things at these meetings, I think we probably have to combine all of our sample.

MR. DONAHUE: Carol, we will do as much as we can, is all I can say.

MS. BAUER: If you regionalize one area, may I recommend the Northeast?

MR. DONAHUE: I expected you would recommend the Northeast.

MS. FELLER: The Senate concurs.

MR. GERRISH: I would like to emphasize what is being said about social costs, the type of social costs she is talking about, not about what Bill mentioned earlier.

I do not think they are unique. I do not think they are regional. I think more than New England can be involved in that kind of problem. Any kind of community can be involved in that.

To go back to something that is nit-picking maybe, when Bill was talking about the social costs, he didn't talk about this kind of social cost which I think is possible. He is talking about dumping the sewage in the river, or some such remark. I do not see how this ICR gets itself involved in that.

We are talking about the cost to treat it, not whether or not it is treated. So maybe you have some explanation for what you said there.

MR. RULE: I was trying to ex plain what social costs are. Obviously, social costs cover a very broad spectrum from employment impact, wage impact, and secondary and tertiary impact, not only through commodity produced, but through the impact on other markets.

Social costs can also be manifest in international trade impacts. They are typically what are called political issues: employment, interest rates, things like that.

MR. GERRISH: I think you are getting pretty far out in some of that.

MR. DONAHUE: If you compare the law with the legislative history, statements by Congressmen Roberts and Heckler, you see some of the reasons we are looking at other kinds of stuff, social-cost kind of stuff.

MR. OLSTEIN: The legislative history is reasonably specific about what it is interested in in terms of the economic issues and relatively narrow.

One question was very specific. It asks: If ICR forces an industry out of the POTW, does that make that plant less cost-effective? And I think with the method of analysis that Bill developed, that is one of the things that will be determined.

Although some of the issues relating to unemployment, the ripple effect -- well, if one place shuts down, affecting rates, and others follow, I do not think it was anywhere in the legislative history to get that far, not to mention the fact that it would be very difficut, if not impossible, to do in the timeframe we have.

MR. ADAMS: My name is John Adams. I am with National Milk Producers Federation.

I noticed in your raw data summary here you are visiting basic industry groups, and dairies is certainly one of them. Dairies, to us, has a certain connotation. It means a fluid milk plant operation.

Now, the dairy industry, as you might know, is unique in terms of the mix of products that are produced in any given plant.

I guess my question is: Have you made sure that you are covering the entire mix and structure of plants in the dairy industry?

In this gentleman's region, Region 5, for example, if you are in Chicago, you are going to be talking about a fluid milk plant operation. If you get upcountry into Wisconsin, you are going to be talking about cheese plants, and most likely those cheese plants might be located in a very small rural town, where we have had unique problems.

My question is: Are these types of problems within the dairy industry being accounted for?

MR. OLSTEIN: Our definition of dairies, we selected the first three digits, I believe 202, which, as you know, covers, I think, a fair range of dairy products, from butter to cheese, and we reviewed this with Fred Greiner.

MR. HUELSMAN: We also stratified and tried to get some in every State where they exist. It is not all in Chicago, when we are looking at Region 5. We are going to try to get plants in all the States, if it were possible.

MR. ADAMS: We have specific case examples, particular problems we have had in certain plants, and we would like to make those available to you.

MR. DONAHUE: We would appreciate them. The more examples and the more data we have the better we are.

MR. ADAMS: One example you were talking about, residential versus nonresidential charges, and we have a plant in Los Banos, California, where the estimated cost, their estimated cost of the system per month is going to increase from $300 to $14,000. If you would like some more information on that plant, we would be glad to give it to you.

MR. DONAHUE: We would. We have already visited Los Banos. We have met with the dairy there. There was a meat packer we were supposed to meet with, and he did not show up for the meeting.

MR. ADAMS: You have met with the Los Angeles Dairymen?

MR. OLSTEIN: Representatives of the dairy association.

MR. DONAHUE: We did that at the request of Senator Hayakawa. We had somebody there about a week and a half ago, I believe.

MR. HUELSMAN: Just to make sure that nothing falls through the crack, if you have got some very specific examples of that, please let us know and send it in writing and we will contact people and get specific data.

MR. MORRIS: I am Richard Morris, National Association of Regional Councils.

I am sitting in for our Water Quality Specialist, who was here at previous meetings. I have no questions. The only thing I would like to comment on is that perhaps in publicizing these regional meetings, that 208 Planning Agencies could play a significant role in getting the word out.

You may have discussed that last time.

MR. HUELSMAN: It was discussed.

MR. DONAHUE: We do plan to rely on 208 Agencies to help us publicize the regional meetings.

MR. GALL: Do you represent such groups as, for example, Connecticut Conference of Municipalities, the Massachusetts League of Cities and Towns?

MR. MORRIS: Not as such.

MR. BUCKLEY: I am Steve Buckley, Fall River, Massachusetts.

I would just like to echo all of Ms. Bauer's sentiments and everything she discussed I was going to discuss.

I should have anticipated that, knowing Margaret Heckler.

The only thing I would like to say is, I think up until this point, so far, I think you have done an excellent job, especially from the standpoint of the City of Fall River.

You have really been very available to us, and you have addressed all our requests and desires. Whether they will be happy from this point, only the future can tell.

[Laughter.]

MR. GILDE: Lou Gilde, NAM.

I would like to continue on the same track as Carol, going back to the basic law, 92-500, ICR seems to have been instituted to bring about parity on sewage charges, and I am not sure the data coming out so far is really emphasizing that. I think there is a need for greater stress of looking at some programs that were done on grant programs prior to '73 versus those done after '73, and I am not sure that you can always get what you want on the job situation.

I am afraid the model study is going to tend to show too much along the lines that 45 cities have been identified, that there are no shutdowns because of ICR. It is very difficult to a president of a company or plant manager -- to pin him down that because of ICR and increased sewage charges you are not going to add jobs, you are not going to add additions to the plant, and so forth. There may be another way of tackling it, and a comment that Carol made raises the issue.

How many new plants, how many new operations are going to be located in Fall River or Camden, New Jersey, because of sewage charges? Not only because of sewage charges, but there will be a whole range of things. Certainly the Mayor of the City of Camden wrote in at the time of the hearings on this issue and commented to the fact that his proposed sewage charges for a new plant that has not been built yet are going to be about a thousand dollars per million gallons, and the very next adjoining community the sewage charges, which has a plant built on prior grant programs, is only $150 per million gallons.

MR. DONAHUE: We are trying to get comparative kind of data. Any time somebody even alleges that a plant did not locate or did not expand or closed down because of ICR, or sewer costs generally, we are looking at that.

Usually the place we are asking that information is the local Chamber of Commerce. If somebody is going to have a feel for plants they are talking about opening, that is the place to find it.

MR. GILDE: There is still a subtlety here that is hard to evaluate. My company will not tell you why it didn't locate some place, because that is difficult. But there is a whole industry built up on locating plants. Maybe we should be relying more on information from them, and how would they get somebody to go to Fall River or Camden?

MR. PAI: I would like to answer that.

There are too many things we can contribute to why a plant is not built in some certain area. We would like to limit this to the rate difference in different areas, and use this as an indication.

In other words, if your area is particularly high, then, more or less, we could say, well, the rate could be a problem. So that is the only thing we can say.

But to go beyond that, we just do not have any data to go beyond that.

MR. HUELSMAN: I would like to just comment a little bit on that.

You have to go a little bit beyond the rate, because you have two communities doing the same thing. One puts all of the front-end costs in the rate, and they are going to recover it that way. The other community puts a front-end charge of $1,000 or $1,500 or $2,000 for your up-front development money, and therefore has a lower resulting rate.

So, the rate, the art of setting rates -- and it is an art right now, at least in wastewater treatment -- the art of setting rates allows a great deal of flexibility, and so you have to really go beyond what is the bottom line number of the rate to really take a look and see what is really happening, when you have a comparison like that. That is just another comment.

MR. GILDE: Some of your data here indicates conditions the year before ICR, and then the first year of ICR.

Many communities around the country, once they get involved in the program, No. 1, a program is at least three years on-going, quite frequently five or more, they do not stay at the old rate up to the day the new plant goes into operation. They normally scale it, and so really you should go back to when they started planning their program, rather than the year before.

MR. HUELSMAN: That is a good point.

MR. SILVERMAN: Larry Silverman.

I would like to start with the first two sentences of your fact sheet, which said you have looked at 45 cities and talked to quite a few people, including Chambers of Commerce, and the only thing you could find was there were no plant closings attributable to ICR, and that the only jobs lost in any way that you could trace were 45: 30 in one city and 15 in another.

Now, if the data you get in continues to show that, do you think you will be able to conclude that there is no significant impact from ICR?

MR. DONAHUE: I do not know if I can make a statement like that right now. We really have to think the thing through and do a lot of analysis before I could say yes or no to that. We will not waffle. If something like that comes out of our analysis, we will say it in those words.

MR. SILVERMAN: Even if a lot of people tell you you are wrong, you will stand by that.

MR. DONAHUE: We are going to make our representation based on data. People may not like our recommendation. I cannot guarantee you will like the recommending.

MR. HUELSMAN: Draw conclusions based on data.

MR. SILVERMAN: With regard to social costs and so forth, it seems to me there are two social costs: one is conservation, that is, social gain, and I know that American industry has made tremendous strides in both water and energy conservation over the last seven or eight years. I think at least in the water area part of that is attributable to the Clean Water Act, both the effluent limitations and also for indirect discharges, ICR and User Charges.

I think that American industries have a lot to be proud of. I wish they would brag about their gains in conservation. They are quite substantial.

I think that if you are measuring a social value of an ICR system, one of the things you would want to look for is conservation. To think about conservation at the moment, in terms of the economic impact of that, it seems that in many areas where there is a shortage of water, there is a very favorable economic impact in having industries conserve, because it leaves more room for new industry to come in.

MR. DONAHUE: Two points there. One of the questions we are asking each industry we talk to, each industrial plant, is: What levels of conservation they have attained? What reductions in water? What reductions in pollutants? That kind of stuff.

Water conservation by industry can be attributable to a bunch of things. One of which is ICR. I think probably everybody will tell you that we are cutting back on water consumption, but there are increased water rates, sewer rates, including ICR, and it is a double-edged sword. If you build a sewage treatment plant designed to handle a whole bunch of industrial water and people start saving water, you are not using the capacity of the sewage treatment plant, and everybody's sewer rates are going to go up.

You have to look at both sides of it.

MR. SILVERMAN: Let me say one other thing about conservation. Dr. Blackwelder has done a review of some of the literature on industrial water conservation. I will try to get you a copy of his paper, but it looked at the Department of Commerce studies and other things which are very useful, and really show, I must say, a very impressive record. Certainly industry is way ahead of government and ahead of the private sector, when it comes to conservation.

MR. HUELSMAN: I think on some of our industry, I know from the canners, we are having extremely -- there is an awful lot of hard data there to support what you are saying.

MR. DONAHUE: Not uncommon to see 30 to 40 percent reduction in water --

MR. HUELSMAN: Whether that can be attributed to ICR or what-have-you, these will be facts and statistics we will be bringing up.

MR. SILVERMAN: Another area which is extremely important and, in a way, is the most valuable thing you can do, and one of the great values of ICR, in my judgment, is that it encourages cost-effective decision-making, that when people have to pay for what they use, they find the most inexpensive way, so the cost to society in general is reduced.

Now, of course, the problem is when one understands the system or when they worry about ICR only after they planned the whole plant, and they do not make those decisions early enough, then those benefits do not result.

But I hope in terms of putting your conclusions into laymen's language, I would hope that you would try to teach people or instruct people, give them some guidelines, both in industry and government, as to how to make cost-effective decisions.

I think that both the system allows for that, that is one of the advantages of ICR, and it is never going to work right unless people use Industrial Cost Recovery and User Charges as an incentive for coming up with the least expensive kind of solution.

MR. HUELSMAN: I think what EPA has done in requiring a User Charge, whether or not that includes Industrial Cost Recovery or not, has been a first step to make that happen. The recent regulations requiring that that analysis, that economic analysis, that cost analysis be done before you start your construction, or at the end of a Step II grant, as opposed to when you are almost ready to turn the faucet on on your Step III, is another definite step in that direction.

We talked about this at the last meeting, that maybe it should be up into Step I and Step II, and we will address that issue.

MR. SILVERMAN: On this question, I think you have, around this table, some outstanding expertise. I am sure a person like Lou Gilde or Jerry McDermott could tell you how, give you some advice, and I think they ought to be interviewed, they could give you and the nation and other industries a good deal of advice on how to evaluate cost-effectiveness, of whether or not to go into municipal systems, whether or not to stay out.

I think that same kind of expertise ought to be sought from people who design municipal systems, so that whether the city should encourage industry to come in, or encourage it to stay out, that really is the question. That is the practical question that people face, when all of this is said and done: Should we go in or should we stay out?

I think that ought to be a factor of cost, because that is going to make life easier for all of us.

One other thing: I think you are doing an excellent job.

MR. DONAHUE: Thank you. Appreciate that.

MR. KIRK: I am Donald Kirk. I am with H. J. Heinz

Company, representing National Food Processors Association today.

I would like to echo the fact that I think you are doing a good job, too.

MR. DONAHUE: Thank you.

MR. KIRK: I would like to express appreciation of some of the West Coast food processors, who had your people, I think, go to a good deal of extra trouble to meet with a couple of industry groups in two different municipalities, and we do appreciate the stop in Sacramento particularly, and we appreciate your efforts in that behalf.

MR. DONAHUE: The other way around: the food processors have gone out of their way to inundate us in a very positive way with survey forms from their members. We have gotten much more participation on a voluntary basis from Jack Cooper and his group of people than anybody else. I guess we have data, at this point, of between 300 and 350 food processors, canners, of what their costs to sewage treatment are; and their questionnaire is more complicated --

MR. KIRK: As long as you brought that up, I notice you have not apparently had a chance to wade through those.

MR. DONAHUE: We have skimmed through them. We are just beginning the detailed analysis.

MR. KIRK: Will you make more detailed analysis of that block of data?

MR. DONAHUE: Yes, sir.

MR. KIRK: Try to use it to show up some things that are general --

MR. DONAHUE: Yes, sir.

MR. KIRK: I have a couple of other things.

In speaking of plant closings, it seems everybody comes back to harp about this, and I want to first make the point that my company has in fact closed a plant rather than sign an ICR agreement. We did not tell everybody that that was the only reason we closed the plant.

I do not think you will ever find a plant that was closed for no other reason than ICR agreement; but because the plant simply was not particularly profitable as a plant in the first place, the plant was old, and sooner or later would wear out, and we had considered closing it several times in past years, but had rejected the idea.

Then, when someone presented us with a 20-year agreement for ICR and local capital share, we decided, all right, it is now or never. The decision came about.

Whether you call that an ICR cost closing or not --

MR. DONAHUE: We would like to get the details about that. I would like to ask one question. That 20-year agreement, was that in terms of a letter of intent or a contractual agreement?

MR. KIRK: That was a contractual agreement. Of course the contractual agreement is not for ICR, the contractual agreement is for local capital share, which normally is shared in the same formula used for ICR. We had gone through the letter of intent stage.

MR. DONAHUE: We would like to talk to you about this.

MR. KIRK: We have gone through that, and I am sitting here, and you have picked a number of communities to go visit and make telephone contacts with, and so forth, and in doing that you apparently have not uncovered any of these situations.

MR. DONAHUE: No, we have not.

MR. KIRK: I sit here wondering that there are so few, that they are not important, or whether you should bias your study by going out on a witch-hunt looking for them.

MR. DONAHUE: We are looking.

MR. KIRK: I am not sure how to advise you to conduct your study. I would like for you to be darn sure you have covered that ground very carefully.

MR. DONAHUE: We are looking at those kinds of cases.

MR. KIRK: I am afraid there is a reluctance on the part of industry to say we closed a plant because of sewer charges.

I can relate one after-effect that happened in this particular community, from reading the newspapers. I believe the Director of Utilities came pretty close to getting fired over it, and we had to turn around and make several press releases supporting him, and pointing out that it was the bunch of federal regulations that led to this thing, it was not anything that the city was trying to do deliberately, to single us out; because I think the public rose up on its hind legs and said: "What is the matter with the city administration? Can't you handle this thing?"

We had to come to their defense.

For that reason, you might find a little reluctance to talk about the situation.

I would like to ask one other question. You have a lot of data here, data as far as you have gone here on User Charges and data on ICR. At the same time you have collected a lot of data on local capital share costs. My question is: What are you going to do with that data?

(3) MR. DONAHUE: We are trying to take local capital cost data and factor that into the economic analysis because we are really looking at the total cost of sewage to industry, and the reason we are asking those questions is in some locales your basic sewer rate includes debt service, so many cents per gallon to pay for debt service.

Other places, your debt service is paid in property taxes or in special assessments. We are trying to collect that data.

We want to look at all the cost of sewage treatment, cost for self treatment, cost for pretreatment, cost for user charge, ICR, or debt service. We intend to factor that into our economic analysis.

MR. KIRK: In all the cases I have been involved with, local capital share has been shared with same formula that ICR has. In California it is law. In other places it is sort of taking place automatically. I wanted to be sure that in fact was factored into your total economics.

MR. CROSBY: I am Ed Crosby with the National Food Producers Association.

I want to make just a couple of comments. You have already answered a few questions, and that is what you are doing with all of the material we have sent you. Apparently you are looking at it and have not quite analyzed it yet. A couple of questions were raised by some of our people, and you have probably considered it, will you be differentiating between types of treatment in these various cities in terms of secondary treatment and so forth?

MR. DONAHUE: Yes.

One of the questions we are asking municipalities is the level of treatment at the treatment process. You have activated sludge secondary treatment versus AWT somewhere that is going to factor heavily in sewer rates.

MR. HUELSMAN: In one of the handouts, second to the last page, there is a little distribution of the treatment level by the various sizes. We want to show you we are getting a smattering across, which was one of the objectives.

MR. CROSBY: Will you be weighing geographical differences, say from north to south, as regards treatment efficiency and costs?

MR. DONAHUE: We are gathering data at the state level essentially.

MR. HUELSMAN: Right.

MR. DONAHUE: We are going to present findings at the state level, that is our intent. It depends on what the data says when we get it all and sort through it and analyze

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it in different ways. Our intention is to aggregate the information and data at the state level and show the differences from state to state. I am not sure if that answers your question or not.

MR. CROSBY: I am sure we are so preliminary at this stage it is difficult, and I am asking questions which I am sure you have already considered and probably will do in the final document.

When you get to the regional meetings in October, will you be dealing with any of the data that we have provided?

MR. DONAHUE: Yes.

MR. CROSBY: You will be?

MR. DONAHUE: Yes. We will have analyzed the data by then. We may not have finished the analysis. We will have summarized and tabulated it, and come up with something like what does it mean? We may not have formulated recommendations.

MR. HUELSMAN: Another comment.

The schedule that was set up and the reason we want to have these meetings in October is to allow us time, if needed, on anything else that comes up at this point, to properly address itself so that all issues will be properly addressed in our final report. I hope we are going to be 95 percent there, but we have allowed time for that other 5 percent.

MR. CROSBY: I am sure our people will show up in the regions.

Thank you.

MS. BRYAN: I am Dot Bryan from the National League of Cities. I have no questions, but I did want to second Mimi's statement of concern about the administrative cost to communities, particularly the small ones who simply do not have the resources or staff to administer.

MR. DONAHUE: We have two questionnaires, one for cities and one for industries. One of the sections on the questionnaires for cities is what is it costing the city to implement and administer on an ongoing basis user charge and ICR systems, and also what their monitoring and enforcement costs are on an ongoing basis. And what ones could they eliminate if you did away with ICR?

MS. BOOLUKOS: Susan Boolukos, American Frozen Food Institute.

The first thing I would like to ask -- and you will have to refresh my memory a little bit from the last meeting -- we discussed the fact that the frozen food industry was going to be included under the same -- well, whatever that number is -- and although we have gotten back what I consider to be a reasonable number of responses from the quesionnaire that we sent out, I have had no indication from you people as to the specific plants that perhaps you have already arranged to meet with or even the specific cities that you are involved with, with the canners and the freezers, and I would ask that we talk about this a little bit further, maybe at another time.

I would like to be able to go to these people and explain the situation in perhaps more detail and have them work together with you because I think that is an important aspect.

The other aspect that enters into the freezing plant situation is the size of the cities in which we are located, and as you recall, you did get a list of cities that I considered to be small cities in which we were involved. Whether they included ICR or not, I cannot tell you because I was not familiar with the municipality situation.

But going to Robert's questions that he addressed, I think that was one of his concerns, the demonstration of inequity between small city and large city. I would like to see that demonstrated a little bit more. If we can help you, I will strongly suggest that you contact us.

MR. DONAHUE: Fine.

MS. BOOLUKOS: Another thing I would like to say is this, it is something I have kind of heard of third and fourth-hand, and again I am not able to give you any specific cities, and that is that in a few situations where canners and freezers were involved, the industry feels that there was no attempt to contact them specifically with regard to the meetings that you were having with the cities on those particular days.

As a matter of fact, there is at least one city that industry contacted and was told, sorry, it is our meeting with EPA --

MR. DONAHUE: This is back in the State of Washington?

MS. BOOLUKOS: I think that may have been it.

MR. HUELSMAN: Let me comment on that.

MS. BOOLUKOS: It was a little bit confusing to us.

MR. HUELSMAN: Let me try to comment on that.

I believe there was a misunderstanding that there were to be two meetings in every city we went to. The first meeting was to be -- the way we tried to schedule it -- with the grantee where we were really trying to dig out a lot of the information. In the particular case I think you are referring to, the industry wanted to sit in on that meeting, and that was not ever meant to be an "open meeting," because you can't try to interview a person with everybody sitting around like this. We just could not.

MS. BOOLUKOS: Sure.

MR. HUELSMAN: But there was to be a follow-up meeting, hopefully at the same location with industry's, and this is what we have tried to do in the cities is say we are going to be here, we will be at 10 o'clock or 4 o'clock or wherever it is, let us come in and let us talk, and most of the businesses prefer to say, now, look, we know the kind of information, "we will get it to you," type of thing, instead of spending the time to come in.

That, I believe, was the misunderstanding.

MR. DONAHUE: In most cases, the first meeting is to find out the administrative cost to the city, monitoring and enforcement costs, et cetera.

In most cases, the city has no objection to industrial people sitting in on the meeting, although we did not particularly invite industrial people to sit in on these meetings because we did not think they were interested in doing it.

In most cases, cities don't care if industrial people sit in.

We have had two or maybe three occasions where city people have not wanted industrial people present at those meetings, and since that was the only way we could get city officials' cooperation, we agreed to that.

We are not trying to keep anything secret or hide anything.

MS. BOOLUKOS: It was not the problem from the point of EPA region nor the contractor, but I think it was more of something I had interpreted to be more of a misunderstanding on the part of the municipality that was involved.

MR. DONAHUE: It is not to the city's advantage to exclude industry from any kind of meetings. That is short-sighted.

MR. SNYDER: My name is George Snyder. I am with the Greyhound Corporation and representing, let us say, Armour and Armour Dial as well as Greyhound.

I have two things.

First, on July 13th, we were contacted by Mr. Brown of C&L who stated that they were going to conduct some studies at Omaha, Sioux City, Minneapolis, Louisville, Kansas City, and Green Bay, and it was to be done by September 1. To date, we have never seen those people nor have we had someone come out there as of August 24th.

MR. HUELSMAN: We have a fellow in the back that was

9 at Green Bay.

MR. BRODIE: I was at Green Bay.

MR. SNYDER: At Armour?

MR. BRODIE: Not at the plant.

MR. SNYDER: Mr. Brown contacted us and said that we would be advised, and we have never heard since.

MR. DONAHUE: Let me find out about the logistics of that. There could have been a mix-up.

In many cases, a lot of the corporations we wanted to visit in a given city did not want us to talk to their local people, and they referred us to their headquarters. Like DelMonte, we got information from 20 odd DelMonte plants, and none of those places did we set foot in those plants because DelMonte people in San Francisco wanted us to get everything from them, which is what we did.

MR. SNYDER: We have over 30 facilities presently covered.

Do you expect us to testify or have someone testify locally on each one to show us it is national issue as opposed to not just a Fall River issue? In other words, let me just take one minute of your time to read this.

St. Paul is served by a seven county POTW, and the annual UC charge is 330,000, the anticipated ICI charge will approximate 20,000 annually and it is expected to reach 30,000 for 30 years thereafter. At Worthington, with a population of only 13,000, with two industries, the current annual UC billing to Armour for everything approximates $100,000 at this time. If the city proceeds with the least cost compliance program developed by its consultants, which is $7.5 million in 1976, the ICR charge will be $48,000 per year for 30 years. And inasmuch as pretreatment system, treating Armour waste, is used solely for industrial waste, it is ineligible for Federal grants. So, therefore, it would also be required to pay approximately $103,000 per year for 20 years, and it is estimated that the Armour share of the UC charge will increase from its present $100,000 then to $215,000 annually.

At Green Bay, which is more highly industrialized, which would be our third example, the UC charge currently is $125,000 annually, and it is estimated the ICR will add a minimum of $15,000 annually for 30 years. It is based on current knowledge of the POTW projects of these municipalities serving Armour and Greyhound facilities that total ICR payments will approach $150,000 annually beginning in July of '79 should ICR be reimposed and increase approximately to $400,000 annually for 30 years thereafter, and beginning in 1983 as more POTWs are completed, total payments would approach

11 the $10 million to $12 million figure as a minimum.

MR. DONAHUE: Can we get a copy of some of this stuff?

MR. SNYDER: Yes. You are going to have these ten regional meetings. How about something on the national -- what is it going to do to a national company?

MR. DONAHUE: The impact of ICR is at a plant level. It varies from one city to another as you just pointed out. Your rates per gallon for user charges or ICR vary all over the lot. That is the function of the size and location and cost and all of that. I am not sure what EPA intends to do on a national level.

MR. HUELSMAN: On the industries that have been selected by EPA, the cost to those industries are going to be projected on a national level all right because we are going to take from our sample and be able to project what the total cost is. Now, we are not breaking it down by individual large corporations. We were not planning to do that. We are planning to do it by industry on a national basis.

MR. DONAHUE: The final report will talk about industrial totals.

MR. SNYDER: We should have this expert or whoever becomes the expert in this area show up at all these ten regions to talk about those plants that we had in each of those ten regions, to give you their specific data that you need.

MR. HUELSMAN: I believe we would like to get the specific data from you right now or as soon as we can so that can be incorporated in our findings.

MR. DONAHUE: If you feel it is to your advantage to testify at public hearings, fine. The information is just as valuable to us if we can sit down with one guy and get the stuff rather than have him go all over the country.

MR. SNYDER: We can contact you to set up that appointment.

MR. DONAHUE: One plant I am particularly curious of is St. Cloud, Minnesota. You have a poultry processing plant. You moved it from town to a location ten miles outside of town and went to self treatment, direct discharge, and the people in the city were not very clear when I talked to them as to whether it was because of sewer bills or water bills or availability of water. There seems to be a lot of controversy on why you wanted to double the size of your facility, when you doubled it, you moved from town to ten miles outside of town.

MR. SNYDER: We will get somebody in touch with you.

MR. DONAHUE: Thank you.

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MR. McDERMOTT: My name is Jerry McDermott. I am Chairman of the Environmental Quality Committee of the National Coffee Association.

We have prepared a form similar to that of the National Food Processors Association for submission to you. We expect any day to submit the data on a few plants.

I am a little disturbed that the tone of the whole procedure is that you are going to find a great many industries that have gone out of business because of ICR. I think that is an extreme view, and from the start I didn't anticipate you wouldn't find some. I wanted to call to your attention that the Committee on Banking, Finance and Urban Affairs of Congress investigated the problem of central cities and their unemployed, and they came to the conclusion that there are barriers to retaining or expanding operations in these locations. These included limited availability of land, poor public services, overregulation, perceived anti-business attitude of local governments, high taxes. And we could very well add to that list Industrial Cost Recovery.

So I think in the extreme we should take the attitude, is this directionally wrong? Not that it is putting people out of business. Because there are many, many reasons why the central cities have to be saved. So we should look reserved capacity to particular industry.

So I think we should take ICR off of reserve capacity. It is inhibition to growth and good planning.

The second place that we should take ICR off from, if we are not going to abolish it completely, is on what components of the facility it is applied to. Now, the law actually says that industry will pay their fair share of the cost of treatment.

Now, I understand that the law defines treatment works as including the treatment facilities, the interceptor sewers, and even collecting sewers. But the word in the law is "treatment." So ICR should only be applied to treatment facilities and not to the interceptor sewers and particularly not to collection system.

There is logic in that. I am not saying that industry shouldn't pay their fair share of local cost of the system. There is logic in not paying ICR because it is a benefit to society to regionalize these systems, to build these large interceptor sewers, and sometimes as much as half the costs are going into interceptor sewers, and now that the last Congress authorized grants for the collecting systems, there will be increased amount going into collecting system. This is a society benefit and not particularly a benefit to industry.

So we should not be forced to pay ICR charges on interceptor sewers or collecting systems.

Now, we talk about parity between urban located industries and rural located industries. Where is the parity between the rural citizen and the urban citizen? Nothing is being done to subsidize the rural citizen.

Why do we take this view about having to have parity between the rural industry and urban industry?

We should take not parity as a rule of reason, but what is good for the country and what is right, what is directionally right.

I believe it is right to keep our urban cities viable. We look at air pollution. The only solution that looks viable for our air quality problems is that which takes care of the transportation problem. If we are going to use mass transportation, we are going to restrict the automobile, we are going to need congested urban places -- we are going to need them viable.

Thank you.

MR. PAI: There is one comment I want to make on reserved capacity.

Number one, reserved capacity is not mandatory.

Industries do not have to sign reserve capacity agreement.

The fact that we allow industry to sign reserve capacity agreement is actually trying to eliminate any future additional costs. If the plant goes to expansion, that industry does not have to pay additional costs any more because the increase was not due to the increased use of a certain industry.

MR. McDERMOTT: I did not get the first part of what you said. You said they are not being required to sign letters of commitment?

MR. PAI: They are signing letters of intent which is not a contract.

MR. McDERMOTT: I said letter of commitment. I didn't use the words "letter of intent." Cost-effective guidelines said letter of commitment.

MR. HUELSMAN: At the first part of John's statement, he said that industry does not have to reserve capacity, that is not a requirement --

MR. McDERMOTT: I did not say they were.

MR. PAI: The first statement was they are not required /to sign reserve capacity commitment.

Reserve capacity, by all means, is to the advantage of the industry. If you are reasonably sure what your capacity is going to be using, you sign that reserve capacity. If the plant is undersize and they have to build additional plant, you do not have to pay any more ICR, you pay ICR based on the first size of the plant. Reserve capacity is to the industry's advantage. You did not get that clear?

MR. McDERMOTT: I understand if you actually need capacity, know you are going to need it, then you are better off having committed to it.

I think the best system is to build reserve capacity, use it on first come-first serve basis, and then when the community needs more, they do not force industry to go out and build more, they join as a community to expand the system just like any other utility.

MR. PAI. Fine. Then do not sign reserve capacity agreement. It is not required.

MR. McDERMOTT: I know.

MR. PAI: You sign it for your advantage, okay? You sign that for your advantage.

MR. McDERMOTT: If everybody else signs up for capacity, there is not any for you.

MR. PAI: There is another reason. Sometimes when we encourage you on reserve capacity, it is to do better planning. Everybody knows what you are going to use so they can size their plant better instead of going five years and they are going to upgrade or it is undersized, they get a better feel of how much you are going to use. They get all major industry to come in to a certain amount that they live with that amount so you do not have excess capacity. Somebody is paying for it. The citizens are paying for it. Reserve capacity, I still think, gives you a better judgment of the local planners, how to size up their plant. It gives corporation headquarters a definitive thing about how to expand their production money and things like that.

I just cannot agree that throwing away reserve capacity would help ICR anyway. The rest of the comments you make on the collection system -- I am not talking about direction in the future -- but just based on your logic that industrial users only pay for the treatment plant itself, I think a similar argument would be as long as industry can shift their waste into treatment work for treatment itself, they do not have to pay collection system. But again I'm not favoring ICR or not favoring -- I am not taking the positon one way or the other. I want to tell you the way ICR is implemented is exactly the way Congress intended. What direction I see ICR taking is based on this study and what Congress will decide to do.

MR. PERRY: Bob Perry, Water Pollution Control Federation.

I have just two questions or comments. One is in the legislative history. I do not know whether it was Mr. Roberts or somebody was talking about a GAO report, which was underway at that time and expected to be completed soon, and that that report would also be used as a basis for this study.

Where does the GAO report stand? Does anybody know?

MR. PAI: I have that report. I can make a copy available to you, Bob.

MR. PERRY: It has been completed then?

MR. HUELSMAN: Yes.

MR. PAI: Yes, they have completed what they intend to complete. Originally, they wanted to go the full extent and submit the report to Congress. After amendment, they decided to submit it to us as a base for the ICR study. I can make a copy of that available to you.

MR. PERRY: The second point is on page 2 of your data that you passed out.

I recognize the fact that ICR and User Charge is a burden on small communities, considerable burden, but I would really question that 25.7 percent figure, if you eliminated ICR, if it is still kept in User Charge. It just seemed to me off the top of my head that should be closer to the one up above, the 9 percent.

MR. HUELSMAN: They are two different things.

MR. DONAHUE: You are talking about monitoring and enforcement costs, and apparently the communities in this of the 45 that are included in here say they will be able to eliminate 25 percent of their monitoring and enforcement costs. I said some of this data has to be verified and validated. My gut feeling is I am not sure what you can eliminate when you eliminate ICR as far as monitoring and enforcement --

MR. PERRY: You have to have user charges and all monitoring that goes along with that. In any way, I would question that 25 percent.

MR. DONAHUE: This is raw data.

MR. PERRY: That is all I have.

MR. ELLICOTT: Andy Ellicott with the Association of Metropolitan Sewerage Agencies.

I want to thank you for keeping everybody posted on how you are coming so far. I really appreciate that. I am glad we have another meeting before you go into preliminary recommendations.

I want to ask you a couple of questions on your monitoring system. The first one is, I think I can understand what you are trying to do in the quantitative approach, but I am concerned about the verification of the results of the model and, in particular, everyone seems to be concerned about plant closings.

While I am not convinced that you are going to find many plant closings, there seems to be a lot of other people here who feel the same thing may be true, I am concerned that if you do find any, or that since your model is concerned with projecting thresholds at which people will theoretically decide to pull out of a system, in other words, close a plant --

MR. HUELSMAN: Or self-treatment.

MR. ELLICOTT: Or self-treatment, I assume you meant by self-treatment, pretreating to domestic treatment --

MR. DONAHUE: No. Total self-treatment, not use POTW at all.

MR. ELLICOTT: -- to municipal treatment person that is pulling out of the system. Assuming that is the alternative that you are looking at, and also assuming you may not find too many plants that close, how will you test your theoretical threshold so if you do not have a group of industries or plants that have actually closed because of alleged ICR charges?

MR. RULE: That is why we have to go to modeling, frankly. If we had any experience on plant closings, plants switching, employment cut back and so forth, we would go and measure it directly. We cannot.

What we have to do is structure our economic models to capture as best we can the economics of the cost, decision making process, on the part of the individual firms, and draw conclusions on the thresholds, at which they will take various actions.

I am not saying necessarily that what I have said here captures all of the possible actions that a firm could take. Obviously pulling out entirely is one. But there are others. There are others that were not discussed directly that would be taken into account.

Changing the scale of the plant up or down;changing the level of unemployment; the rate of output. Those are all possible effects that we hope to capture through these models. It is not strictly a closing or not closing decision. It is not strictly a pullout or not pullout decision.

You can proceed in several different directions at one time, reducing a level of discharge and cutting back on employment in the plant, changing the annual production of the plant, all at the same time.

Those are the things we have to be able to capture in these models.

MR. DONAHUE: And models are going to be based on as much actual data as we have got. If we had a lot of actual data, we would not need models. We are trying to make some projections.

(4) MR. ELLICOTT: I understand that, and I am not particularly worried about it. What I am concerned about is not that you are considering a range of different strategies that a plant owner or operator might consider that is faced with sky high ICR bill, what I am concerned about is whether or not you will be able to test in any subjective or quantitative way whether or not real plant managers behave the way you think they will when they get the threshold.

Now, the reason I ask this is because although Jerry may have been a little strident in what he was saying a few minutes ago about different alternatives to coping with ICR, let us say, I think it is far more likely that you will find most industries trying to cope rather than pull out or self treat. It would be good if there was a way to try and deal with that in the study, I am not sure that there is, if we come up with an expanded or perhaps more detailed version than the first two sentences on the fact sheet -- does what I am saying make sense?

MR. DONAHUE: Yes, it does. I am not sure how we can answer it.

MR. OLSTEIN: Can I try at least a little bit?

We are not going to be able to do any kind of post hoc test after the modeling is finished, but what we will be doing is that the equations that are developed will, to a large extent, be based on actual data that we have received, and I have had a gentleman in charge of that decision for a very large company tell me that east of the Mississippi, if there is ICR charge, their plants will always self treat because that is the way the economics are and that is how close they are being at that marginal point.

MR. ELLICOTT: I would say that if they have a plant and they are called Anheuser-Busch, and they are in St. Louis, there is no way they are going to close that plant. What they are going to do is go outside of St. Louis and build a new plant. This does not concern, as far as ICR is concerned, this does not concern anybody outside of St. Louis, but it concerns a hell of a lot of people in St. Louis.

Now, from the treatment agency standpoint, in the same example, one of the possible effects -- and I do not expect you all to take this into account in your report because I know time is limited and brainpower is limited -- my God, you can't work with people 24 hours a day -- the particular sewer line that Anheuser-Busch is on has another discharger of almost equal volume. AB discharges basically an acidic waste. The other discharger discharges a basic waste. Together they are a great combination in a sewer. But if one of them pulls out, there is going to be hell to pay on the inside of that sewer. These are just small examples of things that are impossible to really take into account on a national level, but they are important.

MR. HUELSMAN: You can do the same thing from a plant standpoint.

MR. ELLICOTT: Indeed you can.

MR. HUELSMAN: If a plant shuts down, that is putting all suspended solids in there, then that plant doesn't work.

MR. ELLICOTT: One final point because I think everybody is anxious to leave, and it may be addressed to EPA as much as C&L. I think that you do have to try and consider coping strategies for ICR.

Jerry McDermott's argument about reserve capacity is essentially a policy decision. It is not something you can decide on the basis of the law.

Now, I understand, John, that industry does not have to contract for reserve capacity. That is perfectly acceptable. Is it a possibility that either the conclusions or the evaluation of the conclusions in your study can look at the alternative of not charging ICR on reserve capacity if industry wants it, or take it off the cost of the interceptors when calculating ICR charges, or do you feel that that is beyond the scope and purpose of the study as it is being done now?

MR. PAI: You're talking about not charging ICR if industry reserve capacity --

MR. ELLICOTT: In other words, the study that it set up now, there are two alternatives. Either industry stays in or pulls out. That is basically it. It may be impossible to prove that ICR is a real burden as presently constituted or at least enough of a burden that somebody will pull out and enough people will pull out on a national level that ICR is a "national" problem, but it may be quite true that ICR is big enough problem that it really makes life hell for people. I think that if there was some way to show whether or not that was the case, it would be very useful.

I will not take any more time because I have not thought this out any more carefully.

MR. PAI: We will have to think more about it, indeed.

MR. ELLICOTT: I think it is something that is important.

MR. PAI: I guess we did not mention this point, but for those who have been in our meetings all the time, they may have in their mind what some of the options are that we should consider, and either contact me or Ed and we will use it as sort of a laundry list. Maybe we will have another opportunity to look through some of them, consult with some of them and pick everybody's brain and hopefully we can come out with some agreement that everybody can commit to.

If you have a suggestion on ICR as how to handle this recommendation wise, recommendation to Congress, just send in a laundry list. You do not need anything more than a listing of what you think the alternatives are, and a few brief explanations, and we will put them in a laundry list and then we can sit down and look it over orally.

MR. SILVERMAN: I just want to say this, that because there has been a tremendous amount of waste in this program, and that is being documented more and more each day, in terms of plants that are too big, that are unnecessary, in terms of type of treatment or degree of treatment needed, and it seems like there is a tremendous lobby that is always there of engineers and other people who profit from this five or six billion dollar program who like to see it expanded and see more and more money put into it, but it seems like what the taxpayers are telling us and what public interest groups are saying, and I'm happy to see what industries are saying, we have to put some brakes on this. We have to be a little more economical,

I for one would be very sad, and I am very happy to hear industry people saying that this is expensive, or from their own experiences, pinpointing systems which may be a poor system because they are too expensive -- I would be very sad to see those industrial people taken off the hook so they do not have to worry about cost, and they can pass it on to the taxpayer. I think that would hurt us all.

MR. HUELSMAN: Taxpayers are saying that, too, and they are looking at their sewage bill.

MR. DONAHUE: If anybody has any other comments or questions, we would like to get them.

The other thing is that we will have a transcript in two weeks or so from this meeting, and everybody, assuming we have the names and addresses of everybody who are here, we will send them a transcript. If anybody wants more transcripts, they should let us know.

MR. HUELSMAN: I would like to make one request.

Several of you have indicated you have got some information, and we have said, gee whiz, we would like to get it. Folks, the time is getting to the point that we are going to start entering an awful lot of data into our computer files shortly after the holidays. So if you could get it in as soon as possible, we would certainly appreciate it.

MR. DONAHUE: Thank you very much.

MR. PAI: Thank you.

(Whereupon, at 3:35 p.m., the meeting was concluded.)

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INDUSTRIAL COST RECOVERY STUDY ADVISORY GROUP

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Room 1032
Environmental Protection Agency
Washington, D. C.

Wednesday, October 11, 1978

The Advisory Group was convened at 1:50 p.m., John Gall presiding.

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PROCEEDINGS

MR. GALL: My name is John Gall. I am User Charge and Industrial Cost Recovery Specialist in Region I, Boston.

I have been here the last three meetings of the Advisory Group, kind of sitting in the corner not saying anything. As you probably all know, we will be going out in the next two weeks on an extended public participation effort. We have conveniently split the country up into the eastern and western sector.

The reason I am here today is I will be attending all hearings in the eastern half, while John Pai will be attending in Regions VI and X.

I think it might behoove us if we started to go around the table, so that everybody would have some idea to whom they are talking.

If we could start over here, I would like everyone to introduce themselves.

MR. TOWNSLEY: I am Mike Townsley from Coopers & Lybrand.

MR. BROWN: I am Alan Brown from Coopers & Lybrand.

MR. HUSELSMAN: Walter Huelsman, Coopers & Lybrand.

MR. DONAHUE: Ed Donahue, Coopers & Lybrand.

MR. OLSTEIN: Myron Olstein, Coopers & Lybrand.

MR. ROGSTAD: Barry Rogstad, Coopers & Lybrand.

MR. RULE: Bill Rule, Coopers & Lybrand.

MR. ELLICOTT: I am not from Coopers & Lybrand.

(Laughter)

MR. ELLICOTT: Andy Ellicott, and I am from the Association of Metropolitan Sewerage Agencies.

MS. BOOLUKOS: Susan Boolukos, American Frozen Food Institute.

MR. KIRK: Don Kirk, with H.J. Heinz Company, with National Food Processors Association.

MR. COOPER: I am Jack Cooper, National Food Processors Association.

MS. McCLURE: I am Deirdre McClure from Congressman Studds' office.

MS. SAVAGE: Robbi Savage, National Association of Manufacturers.

MS. QUILLIAN: Tony Quillian with U.S. Brewers Association.

MR. PAI: I am John Pai with EPA.

MS. FINCH: I am Carol Finch with EPA.

MR. WHITTINGTON: I am Bill Whittington with EPA.

MR. GALL: For anybody who hasn't yet availed themselves of it, there are several copies of handouts that Coopers & Lybrand has put together for today's meeting that probably will be almost necessary.

For any of you who don't know the schedule for the next couple of weeks, I would like to briefly run it down.

Starting with the eastern half, we will be in Chicago on the 16th and 17th; and then on the 18th in New York. The 19th will be an open day. On the 20th we will be in Philadelphia.

Also there is a possibility that if necessary, we will carry over the Philadelphia meetings until the 23rd.

On the 24th and 25th we will again be in Boston.

Then on the 26th in Atlanta.

For the western sector, we will start with Dallas on the 16th and 17th; Kansas City on the 18th; Denver on the 19th; San Francisco on the 23rd and 24th, and Seattle on the 25th.

If anybody has any specific questions about where or why, when and any particulars on the meetings, I would suggest you talk to us afterwards.

One of the things we are going to attempt to do today is to have, if you will, a dry run of the presentation we will be giving in the next couple of weeks. That is to provide some introductory remarks from the EPA, both at the RA's level and UC/ICR Specialist, to have Coopers & Lybrand methodology that they utilized in conducting the study, and to discuss some of the recommendations, and as you are probably all aware by now, to discuss some of the alternatives they are going to put forward in the draft document dated October 10, which you all have a copy of.

For the sake of brevity in today's meeting, I would like to dispense with RA's opening statement, which would generally lay out the format for the meeting, welcome everybody, express his or her desire to have the thing conducted in a full and open format, and go forward.

I would also like to dispense with the UC/ICR Specialist presentation, because that essentially provides background for the general public of which you are all aware.

The next step in any regional meeting is going to have a representative from Coopers & Lybrand present the scope and methodology and today since I am here, I guess we are going to be using the eastern half, so Mike Townsley will provide you with an overview of the methodology that they used.

MR. TOWNSLEY: All right, I am Mike Townsley, and I was working with the field group that was collecting the data in basically the eastern half of the country.

I am going to abbreviate some of the things we will be spelling out in more detail at the regional meetings.

When we first started, one of the first things we did was look at 1972 legislative history to find out what ICR was supposed to accomplish, and basically there were two major objectives: equity and capacity.

A third was to encourage water conservation.

After looking at the background material, along with the legislative history, and especially Congressman Roberts' questions and Congresswoman Heckler's statements on ICR,we developed a frame of reference for us to plan this study.

Our first step in late May was to meet with the EPA people, including John Gall, John Pai, and Ted Horn, and put together a shopping list of all of the data that we wanted to collect in our surveys.

We took this list of data requirements or data elements and converted it into two draft survey questionnaires, one to be used for grantees and the second to be used for industries.

We took these draft questionnaires and reviewed them with some of the industry groups here.

After refining our questionnaire some more, we developed a list of people to be surveyed. With EPA assistance we developed a list of approximately 100 cities that we planned to visit and they ranged in size from Ravenna, Nebraska, with a population of 561, to New York City and Chicago. We eventually visited over 120 cities, some of them more than once, in order to meet with industry people.

We mailed our survey questionnaires out in advance to the grantees so they would have a chance to begin collecting data before we arrived.

Let me back up a little bit. In addition to the 100 cities that we visited directly, we called another 200 cities and sent them questionnaires, the same questionnaires that we used in our visits.

In our industry area we selected five industries that we specifically wanted to look at. We have subsequently added more. The criteria for selecting industries were several.

First of all,each industry had to be labor-intensive, with a low operating margin and a high water use.

And after that, we looked at the effect of seasonality and any pre-treatment requirements.

The industries selected were meat packing, dairy products, paper and allied products, secondary metal products, canned and frozen fruits and vegetables. Subsequently we have added textiles to that. I think we will probably add the bakery since we have a good series of bakery reports coming in, too.

The second step in our study was to develop a mechanism for public participation, and that is why I think you people are here as the advisory group.

We have held the monthly meetings and we will explain about them in more detail when we get to the regional cities.

A third step in the project was to summarize and analyze the data collected.

We are in the middle of this right now. We are through collecting and we are analyzing.

We have some reports, and we have a lot of detail to look at.

We have developed some possible alternatives that we have passed out today, and what we are really trying to do now is to take a look at very briefly what we have found and get your reaction to it.

After we have completed our regional meetings during the next two weeks, we will put together a draft final report which we will circulate very widely.

We think this will be in mid-November because by December we will begin writing our final report so that it can be delivered to Congress by late December. The final report will contain the recommendations to Congress.

We don't know **whether** they will accept them, reject them or what they will do with them.

Now at this point, if we had in our regional meetings, we would introduce a Congressional speaker. I don't think we have one today.

So we can go on and talk about our preliminary findings, conclusions and the possible alternatives.

Myron Olstein is doing it for today.

MR. OLSTEIN: My name is Myron Olstein. I am here to tell you what we found during the course of the study, what we think it means, and then to present some possible alternatives.

The data and statistics I will be using are based on our study and are currently being studied, validated and refined in our Washington office. RAther than hand out raw data, computer print-outs that will be understandable to very few people, we have summarized our data in a handout entitled ICR Study Data. It looks like this (indicating), dated October 10.

You should have received copies of this handout earlier. The final version of this analysis will be appended to and included in our final report.

Remember, as you look at the data, that it is mostly average data and requires careful thought before it is used. We received data from 241 grantees, the best data obviously coming from places where we were able to actually visit with the grantee.

The data that we obtained through telephone surveys was not as complete or precise.

In addition, we also obtained data from 397 industrial facilities, most of it through the efforts of trade associations; industrial data is at the plant level, other than at the company level.

Looking at the major issues before we look at the specific data, the first thing that we would like to address is the issue of equity, for the assumed economic advantage, that is lower sewerage cost, for industries using POTW's as opposed to those treating and discharging their own wastes. We used a computerized model which we developed for industrial clients and modified it to reflect user charge and ICR situations. Basically the model incorporated equations which reflect the cost of doing business, and enables a company to evaluate alternatives--in essence, a "make or buy" decision: should we use a POTW or treat our own sewage?

We found by use of the model that for some medium or large companies having compatible wastes, it is cheaper in the long run to self-treat even without including ICR. This is just due to user charges. That is in our mind a very significant finding. What it means is that even without ICR or pre-treatment costs, large industries should from a purely economic viewpoint treat their own sewage.

Now this is based on a number of tax changes that were not known to the Public Works Committee and have been enacted after the passge of P.L. 92-500. These include accelerated depreciation for pollution control equipment, investment tax credits for capital equipment and the use of tax-free IDB's, industrial development bonds, financing self-treatment facilities.

There are a number of proposed taxable changes now pending before Congress, which will, if enacted, make it even more attractive for industries to self-treat, because of the increased investment tax credits.

Basically what this finding says is that for many industries, it really is cheaper to self-treat than to use POTW.

Now if this is the cae, the obvious question is why don't more industries self-treat? We had a number of discussions with decision makers, and we arrived at a number of potential reasons.

In some cases they may not be located on or near a river or stream and are forced to use POTW.

Many companies don't want the hassle of self-treatment, going through NPDES permit, sewage plant operations and that sort of thing.

Finally, UC/ICR has not really been in effect long enough for people to clearly see its impact.

The significant thing to bear in mind is if ICR and pre-treatment costs are added on top of user charges, they could be the final straw that drives industries out of POTW's, thus making it more expensive for remaining POTW customers to use in a POTW.

In particular, EPA's application of pre-treatment standards is likely to make many industries consider self-treatment.

The second major issue that we looked at was that of POTW capacity. Based on the survey of 241 waste water treatment facilities for which we obtained data, the average POTW uses only 68 percent of its design capacity. We are looking at a range that goes from a low of 4 percent to a high of 120 percent.

It appears that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity in POTW's.

The final issue that we looked at, that of water conservation, is not as clear as the first two. Based on the industries that we surveyed, water consumption has dropped an average of 29 percent. The industries with whom we talked attributed the water conservation to a variety of factors, including higher water charges, and to user charges, rather than to ICR because ICR, as a percentage average of the water cost and user charges, is not very significant at this time.

The economic impact of ICR is not significant in many cases, either, to date, because for one thing ICR has not been in effect for more than a year or two, and most grantees have suspended ICR building, while a moritorium is in effect.

The exceptions to the insignificance of ICR is in those cases where there are highly seasonal users and/or AWT requirements.

In most cases, total sewage costs for industries have increased by several times.

The incremental impact of ICR above user charges is generally not great with the exception of the two cases just mentioned; the combined impact of UC/ICR can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs, and none attributable solely to ICR. The total jobs lost in the plants that did close was less than 1,000.

In every case, there were other factores such as plant age which affected the plant closing also.

The impact of ICR appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium sized cities, and in agricultural communities. There does not appear to be any impact of ICR on the industrial growth to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data. The cost to industry of sewage treatment is greater than AWT plants as compared with secondary plants.

The incremental cost to grantees to maintain and operate IRC, that is those costs/ "eliminatable," if we were to eliminate ICR, is very small when compared to the total costs of operating the plant averaging around $15,000 per grantee per year. Average ICR revenues per grantee per year are approximately $88,000, of which $8,800 is retained purely for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout. Later on in the meeting we would be pleased to discuss specific date during the question and answer period.

To summarize our findings and conclusions very briefly:

First, ICR is not doing what it was supposed to do.

Relatively few cities have implemented ICR.

Most of those who have implemented ICR have suspended collections.

ICR to date has had no significant impact on employment, plant closings, industrial growth, import/export balance, or local tax bases.

ICR is not proving cost-effective, in producing revenues for local or federal governments, at least in most cities.

Now, given all that, that the Clean Water Act, P.L. 92-500, had some societal,as well,as opposed to purely economic objectives.

MR. GALL: Can we stop at this point?

I think I would like to take a cut right here. In our regional meetings, what Myron will be doing will be to go on and discuss the alternatives, and to give all the various parties there about 30 minutes to sit down and digest what they in essence have not seen before. I would prefer not to go through that exercise right now, basically because you have already seen this, and I have a feeling you may have some reactions to the alternatives presented. What I would like to do is open the floor to discussion, if you would like, to the comments that Myron has just made, because I think the summaries of the conclusions is probably the most important thing that you have not seen today.

I would like to start talking about it while it is still fresh in your mind, if at all possible.

I know that historically we have gone around the table where everybody got five seconds to speak or forever hold their peace. However, I would like to digress from that practice a little bit today, and just open it up for specific comments, if anybody has any.

Carol.

MS. BAUER: The part we just covered in regional meetings, will that be the same presentation in each regional meeting, and it will not be at all geared to any specific region?

MR. GALL: That's correct. We obviously may refine it a little bit as we go from Chicago to New York to Philadelphia

As I understand, there will be no regional emphasis provided in the general public hearing.

MS. BAUER: The reason I ask is at one point you mention the difference in the Northeast, the older cities, and I know there will naturally be questions that would come as a result of, well, if we are different, how are we different, and so forth? Will those be addressed is my follow-up question.

MR. DONAHUE: We don't plan specifically to discuss differences from one region to another, except to say that what we have just said. If people have questions about specific cities or specific data, we would be glad to discuss them in the question and answer period. But based upon what we just said, we don't really see the need. We have information about specific cities, almost 300 of them.

What kind of data are you talking about?

MS. BAUER: You are opening yourselves up for specific questions when you say "the hardest hit area is the Northeast, older cities," and so forth. You are opening yourself up for questions and yet you don't seem to be willing to address them. You are saying you are not going to go any further than that.

MR. GALL: No, after that presentation, we will go through the alternatives, and then we will take whatever prepared statements have been scheduled, and we will be unable to avoid obviously a little bit of give and take as we go along. There will be a general question and answer session toward the end of each day. What Ed is indicating--I won't put words in his mouth--is, they will be able to discuss the specific numbers on a regional basis. What we don't want to do is discuss specific cities, I don't think. In other words, that would be my perspective.

MR. DONAHUE: We are planning to include in our final report summarized data at the state level, carrying it one level below the regional level,the region as defined by federal government.

The problem is if you go too low in your data, the sample size becomes so small that it is no longer significant and it is very distorted. It can be very misleading to people.

MR. GALL: Mr. Pai would like to make a comment.

MR. PAI: Maybe there can be a profile, for instance, just the Northeast corner, maybe three or five states there, maybe run a profile for those five states and come out with a summary sheet in that case.

MR. DONAHUE: We will eventually be able to do that. We have data summarized at the state level, refining those reports. We can add several statements together and give a more representative kind of thing. That kind of data will be in our final report. We weren't planning to go into all kinds of specific discussions at these meetings.

MR. HUELSMAN: We discussed this and kicked this around quite a bit. We said what makes sense to EPA, in other words, you define a region, nice and neat, but for the people attending these meetings, you take your Region IV, for example. You are going to find the Carolinas maybe don't associate with Mississippi and Alabama. You get your people that are going to be in Dallas, and they are not associating with some of the other states possibly.

So the question is, how do you group to make it effective to the audience? If we do as you suggest, and just break it down to the 10 federal regions, that can be done, and we plan to present that follow-up. But we are wondering if that would really address the type of regional questions or local area questions that are going to be brought up. We didn't think it would solve those or answer those questions.

MR. DONAHUE: I guess the question is how do you define regional. Regional to a federal agency means one thing. Regional to a local government means something else.

MS. BAUER: I see the point you are making. I don't know how to address it myself, either.

MR. GALL: John.

MR. PAI: Maybe you want to solicit opinion to the advisory group as to any alternative in grouping them together. If anybody on the floor has any suggestions, we would like to hear them.

MR. COOPER: I am Jack Cooper. This sheet here, the one that has costs on it, when you look at the design flow, I find it very difficult to compare these costs, because we are not looking at equivalent size systems--secondary, advanced secondary and tertiary. It is very difficult when you look at numbers. It looks like you are comparing apples and oranges, because you are not comparing the same size systems.

MR. GALL: The costs are reduced to a common denominator, cost per million gallons per day of design flow.

MR. HUELSMAN: What Jack is saying, and we have got statistics broken down, more of frequency based on, let us say, a one-to-ten million gallons per day plant, and what have you. What we are trying to do, and that is going to be presented in our report, but the question is how much to present at these regional meetings.

I think what you are suggesting is that we probably should have some backup data by size of plant. That is a good point, which we have. We have backup data by size of plant.

MR. KIRK: What does "before" and "after" mean?

MR. DONAHUE: Before and after implementation of user charge, Industrial Cost Recovery.

MR. KIRK: Could you explain that a little more fully?

MR. DONAHUE: What people were spending, what a city was spending, what they were charging people for sewage treatmen before they adopted an EPA approvable user charge/ICR system, the first year after they adopted a user charge/ICR system.

MR. KIRK: The plant was essentially in place and functioning?

MR. DONAHUE: In some cases it was, and some not. In most every case you upgraded or expanded the plant or you wouldn't have an EPA grant to start with--

MR. KIRK: I think I understand what "after " is. I guess I don't understand what "before" is.

MR. DONAHUE: Whatever their condition was before.

MR. KIRK: Before new construction began or--

MR. DONAHUE: No, not before new construction began. Before the new rate structure was imposed.

MR. KIRK: Rate structures were usually imposed in two or three levels, at least two levels, interim financing level and a final adopted ICR plan.

MR. DONAHUE: Data we asked for was for those rates and those costs that were in use, in effect, the last year before they went to an EPA approvable user charge/ICR system.

MR. KIRK: I would guess most of those would have reflected some interim financing level, and in some cases interim financing level was just as high as the approved ICR plan, because they were looking ahead to have to meet those circumstances.

MR. DONAHUE: Could be.

MR. GALL: I would like to respond to that from the regional perspective.

That type of approach has not been common in Region I. Just as an observation. The first year that user charges are implemented, typically that is when the problem starts, and generally not before.

MR. DONAHUE: I think you may be talking about California. I know the state has encouraged people, like Sacramento, one-two-three step kind of situation, where they eased into a user charge system.

MR. KIRK: What I am talking about is the necessity for the municipality to maintain cash flow during the construction period, and they usually went through some kind of short-term borrowing mechanism, and put through some kind of rate increase to cover that. In some cases that was just a small increase toward what the ultimate ICR plan was, and in some cases it practically foresaw the entire cost. In fact it is possible it could even be higher than the ultimate ICR-- I haven't seen one that was that way.

Our company has participated in two of those, two of those that we were a large enough part of the plant to be able to see the detail of, and in both cases I think the increase during the construction period was probably about half-way between the pre-construction sewer rates to the ultimate approved ICR sewer rates.

MR. BROWN: One of the problems you run into here is oftentimes if you go more than two or three years back from the present time when you are talking to a grantee, he is unable to really give you accurate information. And the way the question was phrased when we asked it in the field was, give us the most accurate information you can concerning the period prior to implementation of the User Charge/Industrial Cost Recovery System, and some cities had information that went back to, say, 1970 or 1971, when they first foresaw the need to increase capacity or upgrade the treatment plant, and that is the information we asked for and in a lot of cases that was the information we got. What we tried to do was to break it into two very discernible periods, and that is awfully hard to do. So the point before, wherever possible shows most significant impact between change to a user charge system.

MR. HUELSMAN: I think the observation is correct, that this number tends to be a conservative assessment of that change because of a number of factors and I think that is something that we should note that this is the best information we could gather, but basically it is fairly conservative.

MR. KIRK: I guess my problem is coming from an industry where tenfold increases have been common, and I look at your ten percent and 20 percent increases here. I wonder if we are both talking about the same thing.

MR. BROWN: You have to remember also this is average data. You have some plants out there that didn't increase much at all.

MR. KIRK: I understand. I am not trying to run down your study. I am just expressing surprise, I guess, at the results.

MR. BROWN: There is something else in the data that we are currently working on to get out of there, that some people were able to give us "before" information but had as yet done no real studies to determine what their costs are going to be under a user charge system. They couldn't give us an "after" period. Some people had done the study but they didn't have accurate data before for whatever reason. The figures you see here are every one lumped together, whoever responded. We are in the process of taking out those cases where we can make comparative estimates. I think you are going to see a more linear type of relationship when we can get everything sorted out that way.

MR. COOPER: On your cost per million dollars per day for the three types of systems, I notice that it goes down from secondary to advanced to tertiary. Our experience has been the other way. I wonder how did you define secondary, advanced secondary, and tertiary? Maybe this is part of the problem. What is secondary, advanced secondary and tertiary?

MR. DONAHUE: We used definitions that EPA used.

MR. COOPER: What is that--30-30, 30--John, do you know what definitions were used? I think that should be on the page as to the treatment level of what you are talking about for each of these--is secondary 45-45, 30-30, 30, is advanced secondary and 12 and 12? Is tertiary 10 and 10? What treatment levels are you talking about for these? Some people might consider chlorination to be tertiary treatment.

MR. DONAHUE: The classification was done by the city. We asked the city to indicate what level of treatment it was providing as a result of their grant. If they weren't consistent in defining it--

MR. OLSTEIN: I believe we had 20 different processes, certain ones placing in the tertiary category. We were consistent with the breakdown EPA uses.

If I could, could I respond to something that Don mentioned? Don said in his industry tenfold increases are common. There are a number of companies that did in fact experience tenfold increases, and it wasn't just in canning. There was one in paper that did it.

What you are talking about is tenfold rate increases, or tenfold total cost increases.

What we have here on "before" and "after" is total expenses of the grantee. Now in a lot of cases, where you had the declining block rates or any rate of that sort, the sudden change from that sort of rate structure or subsidized rate structure to straightforward user charge, even if expenses had been identical before and after would have caused some tremendously large increases for certain industries. I think what we have to do is try to seperate UC and what we are reporting. They are not exactly the same.

MR. KIRK: I guess the revenue item here is probably essentially a reflection of the total situation to the treatment plant, correct?

MR. OLSTEIN: Yes.

MR. KIRK: Based on my experience where we have seen perhaps five to tenfold rate increases, I think total revenue required for the plant would probably have done something more than doubled.

MR. OLSTEIN: I have given you an example, that I know John is familiar with in Boston, the revenue requirement increased less than 20 percent. When we went to user charge, purely proportion of the rate structure, Boston Edison went up four times, went up fourfold. It was because they were getting everything at that lowest step.

There is something that had absolutely nothing to do with the treatment plant, just change in the rate structure.

MR. GALL: Robbi.

MS. SAVAGE: I guess I have some criticism, which is unusual for me on this study. My understanding of this from the very beginning was it was an opportunity for people to work hand in hand, industry with public interest groups, and public and whatever. And if I understand this correctly, you are going out to the public, and I tried to place myself as maybe a meat packer in Nevada, who goes in and looks at this material, and says what is MGD, what is BOD--I would be so overwhelmed by this kind of material, I would either fall asleep or turn off completely. I don't know that someone who hadn't sat at this table for the last six months would even understand what is in this material.

You don't have any definitions of even ICR, what it means, what is AWT, what is BOD. I think for the general public this is going to be overwhelming, even for some industrial folks that have been working with it for a number of years.

MR. DONAHUE: That is a good point, Robbi.

MS. SAVAGE: I find it a little overwhelming, and don't know what it means.

MR. HUELSMAN: What if we were to, during the session, go down this, and basically explain this, because the stuff has already gone out, trying to get it out ahead of time.

MR. PAI: EPA has published glossary items, common terms of what is advanced treatment, what is BOD, and suspended solids.

MR. DONAHUE: We have a suggestion from Myron and Bill Rule. What we do is prepare a one-or two-page glossary of terms so that people understand what these terms refer to.

MR. PAI: I am saying, EPA has prepared a glossary publication already. Maybe we can get some copies or bring it to meetings, or extract from it.

MR. HUELSMAN: Comment on it.

MS. SAVAGE: Let people know you understand these terms are foreign. I have been at too many public meetings at small towns, and they say Washingtonians come in here and don't know a damn thing about what I am trying to do and lay all this stuff on me, and that is the fastest way to turn them off.

MR. HUELSMAN: If we were to explain the terms from the glossary to people up front that would probably solve it, it would address that issue. Is that okay?

MS. SAVAGE: It would, I am sure, certainly help.

MR. HUELSMAN: Let's put that . . . in our agenda of what to do.

MS. SAVAGE: I also suspect you should introduce them to Congressman Roberts, whom most of them probably have never heard of, the impact of Heckler and Roberts, why these questions have been addressed, why you feel they are important, and why we all spend time working with them, might help, too.

MR. TOWNSLEY: Those were covered in one of the sections that John skipped over today, when he went through the background, and he would actually discuss each one of the nine questions and what it means, so that will be covered at the regional meetings.

MR. DONAHUE: It is in one of the prepared statements we did not read today.

MS. SAVAGE: Are you all going to be available to these people as they come in so they will see you? You are not going to be sitting up there away and detached, so they feel they can come talk to you afterwards?

MR. DONAHUE: We hope so.

MR. HUELSMAN: Each region is setting up each meeting.

MR. DONAHUE: Some of the meetings--like in Chicago--Ted Horn said he anticipated 800 to 1,000 people. It can't be a small intimate meeting when you have that many people.

MS. SAVAGE: How many do you anticipate will know anything about this material?

MR. COOPER: I don't think you are going to get that many.

MR. DONAHUE: When they had pre-treatment regulations, MR. COOPER: Could I bring up a procedural question? In the announcement I got of this advisory group meeting, it was stated this would be the last one. I hope it is not the last meeting of the advisory group. I hope there will be at least one more where this group can have an opportunity to review and comment on the draft report when it is written.

MR. GALL: John indicated to me this morning that "yes" we would after the publication of the draft report have at least one more.

Carol.

MS. BAUER: John, you mentioned yesterday that members of Congress from the Northeast were being advised of the meeting in the Northeast, and I just wanted to make sure that that holds true nationwide, that individual regional offices are advising members of Congress by letter or however the ICR meeting in their region. This is a very, very busy time for Congress. I just don't want something like that to fall through the cracks.

MR. GALL: I think it would be difficult for us to comment on that directly, because/a publicity campaign, if you would, was conducted by each region individually.

MS. BAUER: Does anybody from C&L know?

MR. HUELSMAN: Some regions were questioning whether they could even have a meeting because of conflicts and a whole bunch of other things.

MR. DONAHUE: All EPA regions are having public meetings, okay?

MS. BAUER: Can't we just make sure that the press release is sent to members of Congress?

MR. GALL: Do we have a national press release?

MR. DONAHUE: Yes, that has gone out, September 29. I don't know who is on the mailing list of the national press release that EPA has.

MS. FINCH: You might want to know that in all the regional offices, except for two regional offices, they have combined their Congressional, intergovernmental and public affairs work into one office. That is the office John has been working through. That means it will include that notification to all groups, including Congressional.

MR. GALL: How many people are we going to get?

MR. COOPER: I know from our association we will have at least one representative who will either speak on behalf of their individual company and their problems or on behalf of the association in those areas where there is significant food processing operations. That doesn't mean we will be at all of them. We are making the information about the meetings known to our membership, encouraging them to attend; how many are going to go I can't tell you. We are making time to look at it beforehand.

We intend to stay at the meeting and talk for as long as anybody wants to talk, if people are interested in talking at the meetings. People who would rather sit down and put something in writing, fine, that would be great, too. But it is an open forum. Anybody who wants to say anything has an opportunity to talk, and we will try to answer as many questions as we can.

MR. ELLICOTT: Then my next question is, do you expect much discussion of the different alternatives in the package at the public meetings? My initial guess would be there won't be a lot of discussions. People will either be prepared to say that they like 1 or 2 or 3, and they don't like all the rest, or they will be prepared to say they don't like any of it. But they may not help you develop any other alternatives and they may not give you any real feeling for what the best one is. Alternatively, somebody will probably ask you what you are going to conclude, and will you be prepared to answer that at any of these meetings?

MR. DONAHUE: No. We have preliminary conclusions which we have voiced today. We will repeat those preliminary conclusions at the regional meetings. We are really there to gather more data to give everybody the alternative, the opportunity to speak.

MR. HUELSMAN: We are giving conclusions. We are not prepared to make our recommendations yet, because we won't have completely analyzed the data that is sitting over here (indicating); and until we do that, I think it is a bit premature.

MR. COOPER: Will your statements be written and will they be in the packet so that everybody can take them back and study them, your conclusions? In other words, I took notes here, but I don't know how accurate my notes are. I think your statement should be written and should be included in the packet of materials that will be handed out at the meeting.

MR. DONAHUE: We can make copies of those statements available, and if people want copies of them, we can work with EPA regional offices to give copies to them.

MR. COOPER: When you get them typed up, I would like to have copies of them. I think just to get up and state what your conclusions are, without somebody there to have them in front to be sure he has got them right, I think you need that.

MR. HUELSMAN: What you are saying is you would like a prepared statement of conclusions available at the meetings?

MR. COOPER: Yes, or a statement of prepared remarks.

MR. OLSTEIN: How about a summary of the key points, would that be all right?

MR. COOPER: Something that has your key points in it.

MS. SAVAGE: When your final recommendations are formulated, just before you turn them into Congress, will they have any way, the public, of knowing what you finally concluded? If they come to a public meeting and get involved, will they have any way of knowing what it was deciddd to present to Congress through EPA or will they have to go through the Federal Register or some other way?

MR. GALL: I really have to defer to John on that. Because their recommendations will be to us, and it will be our job to make recommendations to Congress, as I understand it. But in terms of what we will be doing with our final recommendations prior to submittal to Congress, John is the only one who can answer that right now.

MS. SAVAGE: If those recommendations could be sent out, I know paper work is a big thing, if they could be sent out to regional offices and distributed to people who were interested, even if they just requested them, I am sure it would be helpful to them to know they came and participated and they would know what the results were at the end.

MR. DONAHUE: I think that is a decision that EPA has to make, how they want to disseminate the results of the study. We are going to prepare our report for EPA, including recommendations, and I don't know what EPA wants to do as far as distributing that, or summarizing it.

MR. HUELSMAN: I think the question she is referring to, there will be someone out at the public meeting saying how will I find out the results.

MS. SAVAGE: How will I know anything I said to you is important and it is incorporated in your final study?

MR. PAI: The statement of--

MS. SAVAGE: Of anybody, of anybody out in San Francisco, for instance, will they be able to call Region IX and say that the final study that Coopers&Lybrand did for Congress, can I have a copy, or will you tell them it will be available after a certain date or will you send it to everyone who came to the public meeting? How will they know what happened?

MR. PAI: You are talking about a transcript?

MR. COOPER: Final report. She is asking what will be the distribution of the final report? Will it just go to Congress and go to the National Technical Information Service, and if somebody wants it,there will be a press release, national press release saying EPA filed its report to Congress on the

Congressionally mandated ICR study?

MR. WHITTINGTON: Yes.

MR. COOPER: And if you are interested, you can get a copy.

MR. WHITTINGTON: There will be a lag in that to Congress, and we simultaneously get some printed. It takes time to get it back from printing.

MR. PAI: Maybe we can provide a summary of the recommendations.

MR. HUELSMAN: Not the whole study.

MS. SAVAGE: We could pass it on to our membership.

MR. DONAHUE: Robbi, so you have an idea, and this is preliminary, but our proposal at this point is the final report is going to include an appendix of the transcripts of the ten regional meetings, plus our transcripts from these meetings. So the final report is liable to be a foot thick. Most people don't want to wade through all of that. They are probably interested in a couple of pages of summary. I don't think you would advocate that.

MS. SAVAGE: Not at all. If I took the time as a citizen to come, I would want to know it is worthwhile, and that it wasn't just another meeting.

MR. COOPER: While we are on the subject of public participation, this advisory group was established under an EPA proposed public participation proposal and under that proposal there is a requirement that advisory groups consist of 50 percent non-financially interested servants of the public, such as the Environmental Defense Fund and so forth, and this advisory group is made up in fact of 50 percent of these types of people. I would like for this, the governing people, EPA people here, to make known to the people who are writing these public participation regulations how extensively these people participated in this advisory group, and whether or not the proposal works.

I think this is an experiment to see how well it works, or does not work, and I think someone should inform the people who are writing those public participation regulations how well this experiment worked.

MR. ELLICOTT: You are a hard man, Cooper. You are asking them to wash their laundry right in public. I agree with you. I am no lover of regs, God knows.

MR. COOPER: I think it is something that should be brought to the attention of the people writing these public participation regulations.

MR. DONAHUE: Everyone in the advisory group, whatever their viewpoint, was given the same notification, the same opportunities for participation.

MR. WHITTINGTON: Without belaboring the point, perhaps the conclusion we might draw from your observation is that there is still some further refinement needed in our public participation.

MR. COOPER: Yes.

MR. WHITTINGTON: Obviously we are able to get the information to those who have a financial interest in it, and they are able to respond, but those who come from other directions may not be able to respond in some way. Maybe we need to in fact increase our dealing with them, rather than decrease.

MR. COOPER: I would like to comment. Fifty percent have had all the notices, they have known about all the meetings, and they are welcome to come and join us. The point I am making is they have not participated.

MS. SAVAGE: Does that make this group illegal?

MR. COOPER: They have had the opportunity to participate.

MR. WHITTINGTON: My point is, the kind of thing I was thinking of, for instance, perhaps the meetings ought to be held in the evening, or at least alternately.

It is interesting when financial involvement falls away, the reaction you get.

MS. SAVAGE: Wait a minute.

MR. GALL: With that note, I would like to try to go on.

MR. ELLICOTT: Just a clarification from John. Did I understand you to say, John, that once C&L turns the report over to you, you will make it available to the steering committee, and that there will be some time during which we can respond or react?

MR. PAI: We will probably have another meeting like this to save yourself writing.

MR. ELLICOTT: Tentative agenda for the next meeting will include our reactions to the final recommendations. Okay. All right.

Do you all want comments on these(indicating)?

MR. DONAHUE: Any comments you had.

MR. GALL: What I want to do right now, if anybody has had the opportunity to digest the alternatives proposed by Coopers, I would like to throw it out to open discussion, as opposed to going out one by one.

MR. OLSTEIN: In this statement, before we were to get into the discussion of these alternatives, I won't read the exact wording, but the point that was going to be made briefly, I hope, is that ICR had a purpose outside of the economic types of things. Basically I think we called it societal objectives, which was to try to avoid the appearance of using public money to subsidize industries that happened to be located in cities receiving grant funds. While we were able to analyze the economic aspect of what they were trying to do, the societal aspects might still remain.

So it was with that in mind that we developed some of these alternatives that retain some sort of ICR, and I think we have to recognize that when this goes up to the Hill, that whatever those types of objectives they had in mind back then, they may still have them now.

MR. PAI: I want to make another comment on this reviewing of alternatives. The final decision to make recommendations is in the hands of EPA. Of course final legislative action is in the Congress.

The meeting purpose is to let everybody know, not only for EPA to know where you stand, but everybody participating in the meeting, to know how each other stands. The point I am trying to make is that final recommendation may not make everybody happy, and it is not for that purpose, to make everybody happy. But sure, you get your comment. That is how we are going to present it to the Congress. What I am trying to say is decision is not going to be made by vote of the majority, it will just be gathering your thoughts about it, and we will make the final decision. I don't want to give any illusions if five of you vote for this one way.

MR. WHITTINGTON: Just to add to that, there is a legislative process beyond that, however.

MR. PAI: Oh, yes.

MR. ELLICOTT: Are you ready?

MR. GALL: Right.

MR. ELLICOTT: You will no doubt hear from several AMSA members and private industry in the Sacramento area when you go out to the public meeting in California. They have talked at length with us, and in our last organization meeting in Anaheim, the membership of AMSA passed a resolution supporting the elimination of ICR.

So right up front I can tell you that most of our members would rather do without it than with any other hybrid variant or version that might come out of the final recommendations. But let me just give you five general concerns that our members have expressed after seeing the preliminary results that you passed out at the August meeting last time.

Some of them--I am sure you have heard from other people--but I just want to get them on the record and see if there won't be some concern of them in your final recommendations.

The first one is the question of whether or not ICR affects the movement of industrial sites, either from an established treatment area into an unestablished area or some other move. Many of our members who have thought about this question feel that it is unlikely that an industry will ever tell you that they are moving because of a high ICR payment. It is more likely that in fact what will happen is that they will choose not to expand an existing facility because of ICR payments. It is also unlikely they will tell you that is why they are not expanding it. We would like to see some attention given to the question of expansion versus completely moving out of an area, if you feel that the information you have allows you to make any kind of generalizations about that. That is number one.

Number two, the members feel that the number of operating ICR systems in the country today is very small. On the one hand this allows our members to feel that whatever conclusions you may draw from that universe of operating systems could be weak in the sense that it might not be a truly representative sample.

If you could also include some discussion of existing systems and the possible number of systems, once ICR is implemented, and perhaps make some conclusions about your sample, that would be appreciated, too.

A third and related point to the second one is that one or two of the members have told me that their initial ICR payments in the first five years of the program are going to be very low, and that there will be a sudden, at least to them, a sudden and dramatic use after a certain initial period. Can your information either count for that or acknowledge that this is something that will happen? And could you say anything about the possible impact of that kind of rise in rates?

MR. COOPER: This is the point Don Kirk was talking about earlier.

MR. PAI: Bill Rule may want to answer that question.

MR. KIRK: It sounds like my question backwards.

MR. ELLICOTT: It cuts the other way. There are some members' initial ICR recovery will be very low and charges will be very low. They have large projects moving in segments, and the initial segment can be very small, which they start picking up ICR charge on. It is like a snowball, it gets bigger and bigger.

MR. KIRK: Multiple funded project.

MR. HUELSMAN: We recognize that, and I think your point is well taken. It should be commented on.

MR. ELLICOTT: The fourth point is our understanding of the original rationale for ICR was basically what you have described as a societal rationale. Can you, on the basis of your material, evaluate the contention that federal funding for municipal treatment agencies gives industrial dischargers a competitive advantage over their non-sewered competitors? There are some people who believe in fact this is not only not true, but it may even be true that people who are not connected to a municipal system may have a competitive advantage. And if you can address that, I think that would answer many of the questions we would have.

MR. RULE: I don't think you can generalize it. You have got all sizes of POTWs and all sizes of industrial users. And for certain combinations of big POTWs and little users, maybe he has got an advantage for the large user and small public works, it may be just the opposite. And trying to come up with a generalization is very difficult given the kind of data that is available.

You may be able to say, well, if this is true, then there is this tendency toward an advantage, and the opposite holds true if these conditions are applicable.

MR. OLSTEIN: What we will do is present a series of curves showing results of the model, which will show you those cases where it is true and those cases where it isn't.

And the very small impact, pushing it on one side or the other that ICR has.

MR. ELLICOTT: Okay. There is a second half to that fourth question. Given that we can't make many generalizations of that sort, there was a second rationale for ICR, and that was that in small communities a treatment plant is built essentially for industry and not for domestic customers. Can you evaluate that as a subset of ICR situations, so that Congress will have a chance to see whether or not its original assumptions were well taken?

MR. HUELSMAN: I think so.

MR. ELLICOTT: The fifth point is kind of hard to deal with, at least it would be for me to, if I had to respond to it. You acknowledge the relationship between ICR on one hand and user charges on the other. That is great.

One of your alternatives takes into account the connection between ICR and pre-treatment, which is also good. I think it would be very helpful if the final report includes some mention of the other programs that ICR relates to, so that a member of the public who isn't particularly familiar with what industries have to cope with, or what a treatment agency deals with, in terms of federal programs, might have an idea of the universe of regulatory programs that a discharger has to deal with.

If you can put it in the context of other federal requirements and programs, I think that would be helpful, too. It would at least answer the objections that would arise from people who feel you are taking ICR out of context if you don't consider the other programs that also have some effect or have some impact on how an agency or industrial discharger responds to an ICR charge or the fact that he is going to have an ICR program on top of everything else.

MR. DONAHUE: If I may respond,Andy, to the five concerns you have voiced. I think all of them one way or another will be addressed in our final report. I am not sure they will be addressed as specifically or in the detail as you would like to see. For example, talking about industrial growth patterns, and cutting out plant expansions and closings, and so forth. We just have not been able to get data. Nobody is willing to tell us. One of the transcripts of the public meeting we had in Fall River, the guy who is head of the local council labor union stood up and said we know four plants that did not expand because of increased sewage cost. They won't tell us who they were--

MR. BROWN: Same thing happened to Sacramento and Stockton both. They said we either can't give you that information or we are not privy to it.

MR. ELLICOTT: I'm not asking that you try and dig it out of them in some way. Just acknowledge that it is very difficult to get practically, and that this may be a question which you cannot answer with the data, and that it is something that EPA might want to consider, and the current Congress would want to consider as well.

MR. OLSTEIN: One thing I might add in that respect. I spoke to a group of forest products people, and basically what they say with respect to expansion issues, moving out, whatever, is that this whole thing really ought to be done over again after pre-treatment standards are sent down from industry. Because everyone is putting things on hold until they find out what to do there. It makes it much more difficult to break through everything that is going on, and address that question. A lot of these industry groups, when you look at it, you cannot answer.

MR. ELLICOTT: I agree.

MR. GALL: I had a question, the second half of four. Could you explain that a little bit to me? I am not sure I understand what you are talking about, and what you would like us to get at.

MR. ELLICOTT: When ICR originally came up, it was the concern of some of the members of the Senate Committee that dealt with the legislation that federal tax dollars would be sent in some communities primarily to provide sewage treatment services for industrial plants, not for the domestic population. With that in mind, I think that it would be a good idea to find out if in fact there are very many communities in which that was the case. Now Larry Silverman, who is not here today, from the Clean Water Action Project, put out an article on a situation in the Northeast where that in fact did happen, where local industry was in bed with the treatment agency and they essentially built a plant for the industry, and there was one industry in the city.

I think that is the kind of thing that the legislators had in mind as the situation that ICR should deal with.

MR. HUELSMAN: We comment on that, yes.

MR. DONAHUE: I think all the concerns that you raised on behalf of your members and their associates I think are all things we are going to address in our report. As I said, I can't promise you we will address them in exactly the format, in detail or specifically as you would like them addressed. We are sort of on a fine line ourselves, because while it would be nice to give a very specific kind of statement and conclusions and recommendations, you have got to remember that recommendations potentially anyway are going to be looked at from a legislative viewpoint, and when you write something like that, it has to be something that is applied nationally. It has to be something that the management side of us says we can't possibly come up with something that is going to be an administrative nightmare. It has to be something practical to do. It has to be fairly simple.

MR. ELLICOTT: I can appreciate your position.

MR. DONAHUE: The more detailed we make our report or our statements, the less people are going to read it.

MR. KIRK: In discussing alternatives and discussing recommendations at some point, this whole area I think can be broken into two separable items in which you people can make recommendations.

One is: Do we need to pay back the grant money? And the second is: Does the government continue to dictate in any way, shape or form how costs should be shared?

I think those can be separated, one from the other, in certain cases. I would like to point that out.

There is a cost sharing mandate that covers ICR and also covers user charges, and tends to spread without being dictated, spreads also into sharing the locally financed portion. And just how that framework continues at all, and if so, how, I think is one independent question. I am not sure if you are putting enough stress on that.

MR. OLSTEIN: One of the things we did, we went back through 1972 legislative history, to make sure--as a matter of fact we even had discussion with some of the Committee members to find out what they were trying to accomplish. What you are talking about is what they were trying to accomplish through user charge provisions, and that is really just a completely different set of objectives than they ever had in mind relative to ICR.

And it would have to be a separate study to take a look at that.

MR. KIRK: Let me phrase it a little differently. ICR consists of two things to me, and that is the need to pay back some of the money and also being told who should pay, how much to the municipality in order to recover that money, and how it should be done.

In my mind the user charge system is a direct spin-off from that. Even though it addresses different costs, different set of revenues, it is still based on the same kind of basic charges.

MR. OLSTEIN: I would have to disagree with you. I think the flow of legislation went the other way.

MR. KIRK: The user charge was the principal--

MR. OLSTEIN: Absolutely. One of the main things that they went into the legislation was if we are going to put up the money, we want those plants to be properly maintained and the method of paying for proper maintenance is something that dates back to 1956, I think. There has been emphasis and desire for proportionate charges for a long time, that had absolutely nothing to do with the introduction of ICR, nothing whatsoever.

I think we are really dealing with two separate things. Proportionality flowed out of the user charge into ICR.

MR. GALL: I think there is one salient point to his observation. If you go to some of the alternatives, they in essence drop pay back requirement, but then they impose the cost sharing requirement.

We don't want to talk about user charges, but clearly that is one of the alternatives put out.

MR. KIRK: I don't know enough about legislative history to argue with you on that, and I will be glad to accept the fact that the chicken came before the egg or whatever. But nevertheless in the process of dictating ICR, there are those two facets to it. One is do you pay back the money and second is how do you share the cost of collecting the money to be paid back?

MR. HUELSMAN: The second one is not really an issue that has been addressed nor will be addressed in this study.

MR. KIRK: If ICR is retained, if the requirement to repay back money is retained, then I think you ought to comment on whether it should be done in the same manner that is being done or some other way.

MR. HUELSMAN: You are trying to break it down into a basic issue of proportionality type of thing, in other words, should costs be shared proportionally?

MR. KIRK: I think it is hard to completely get away from that.

MR. OLSTEIN: I see what you are driving at. I think to a certain extent 95-217 departed from proportionality anyway, by setting up a floor; I think that is why we no longer feel constrained by developing alternatives. Is that the kind of thing you were getting at?

MR. BROWN: Some of the alternatives do address, for example, incremental ICR based on an incremental portion of the plant rather than proportional cost sharing for total cost.

As far as ICR, how money should be paid back, over what period, that is addressed in the alternatives we have now.

MR. KIRK: I can accept that. However, any decisions made on sharing any residual ICR many wind up having some influence or some consideration later on, in user charge, or low capital sharing or some other format.

And I think we all ought to have that in mind when we are putting this together.

You are making a study that shows the total impact of sewer charges on industries and others, industries under the ICR program, and that total impact includes the user charge system. You can separate it, but yet you really don't. The influence is still there, and we shouldn't lose sight of it.

MR. OLSTEIN: I think what Don is getting at, if we recommend something that gets adopted that goes to an alternative, in the cost distribution method, say, that it may eventually creep back into the user charge sometime in the future. I guess that is a possibility.

MR. HUELSMAN: Could happen.

MR. OLSTEIN: Congress has already departed from proportionality anyway in ICR, which makes us a little bit less hesitant to deviate from it.

MR. GALL: Is it going to be beneficial for us to go through these alternatives?

Carol.

MS. BAUER: We can still comment on them.

MR. GALL: Sure.

MS. BAUER: Throughout the list of alternatives in the righthand column on disadvantages, there are comments on different ones that a certain alternative would eliminate ICR revenues or decrease ICR reveneues, whatever. Is there any way, I feel when I am looking at different alternatives, and I look at the righthand column that says it will decrease the revenue, that it is hard to differentiate how much would any of them--I know it is impossible to assign a dollar figure--is there any way we can get any proportionality feeling as to how much better or worse any of them are for the federal government?

MR. DONAHUE: If you eliminate ICR altogether, and this is taking some selected data and projecting it to a national basis, it appears that federal government or total ICR revenues appear to be one to two billion dollars over 30 years.

MS. BAUER: Over 30 years, beginning--

MR. DONAHUE: Beginning now, you know, cumulative. 1975 or whenever.

I doubt that more than a million dollars in ICR revenues has been collected to date nationally. It appears one to two million, cumulatively is the figure for ICR revenues collected.

Depending on how much you trim back ICR, or how many people you exempt from it, or how many cities you exempt from it, the more people you exempt from it, the lower you make the rate, whatever, the less you are going to collect.

MS. BAUER: Now we know total cost if it were implemented; and also we know the one alternative is to eliminate it entirely. For all other alternatives we have no idea where they fall.

MR. HUELSMAN: We haven't costed them out. To get to this number Ed gave you, one to two billion dollars--had a whole bunch of "if" this, "if" that, and all these other things and to try then to refine that into subsets gets to be a little ridiculous.

MS. BAUER: What I am looking for is a point if you had a graph where societal benefits and size of government, at a point would cross, at that point--

MR. DONAHUE: You are trying to quantify a social goal. I don't know how to do that.

MR. OLSTEIN: There is not a little box in the federal budget for 1990 that says you really have to get this much money in from ICR, because we got this thing we are going to spend it on. It is an excess fund of some sort. I think the original purpose was to go into an emergency disaster fund or something--

MR. DONAHUE: Original legislative history is disaster relief.

MR. OLSTEIN: There is not an associated expenditure with that revenue source.

MR. HUELSMAN: It is with the total, the part that comes back. The part that is retained, though--

MR. OLSTEIN: Yes, the idea was that was going to be sort of a renewal and rehabilitation type of thing. So at local level it does have some use. The part that goes back to the government was just--federal government--

MS. BAUER: There is no way to estimate on any of the alternatives where this alternative is going to decrease revenues how much more or how much? There is no way between the two extremes?

MR. DONAHUE: Some of the alternatives could happen concurrently. You could take bits and pieces and combine them.

MR. HUELSMAN: She is saying for each one. I don't think you can--off the top of my head--I don't think you can cost out basically each one of these to any level of accuracy that we would like to even make a guess at. We will look at it.

MR. ELLICOTT: Do you want some more comments?

MR. GALL: Sure.

MR. ELLICOTT: Under "disadvantages," get rid of the one that says here on No. 1, "without some control over the design parameters," and so forth, it is a very weak argument. There are so many other ways in which EPA can regulate capacity during design stages of a treatment plant, that's really a strawman for that kind of argument.

MR. DONAHUE: It was assumed ICR would help put a cap on excess capacity. That was the assumption. Now what we have seen so far, it hasn't done that.

MR. ELLICOTT: So I think you ought to eliminate it. It is not needed to control excess capacity, whether or not it does. Wayne County, Detroit, they don't have a plant yet, and they are not going to have excess capacity. It's solely on the basis of EIS. It has nothing to do with ICR.

MR. GALL: Could I interrupt and play a little bit of devil's advocate. Except for the extreme of EIS, how would an agency approach, given it is an issue, that we don't want to build these gargantuan monsters, either for the domestic sector, through inflated population projections, increasing per capita water consumption, new cost effective guidelines attempt to control that through disaggregation procedures and the like--how can we effectively address this issue specifically as it relates to the industrial sector? Is there a way?

MR. ELLICOTT: The strongest point for the industrial discharger to the municipal system is whether or not he has to sign an enforceable contract to make good on his projection, for capacity. That is something you can deal with, whether or not you have an ICR program. And frankly I think unless you have that kind of a contract, like understanding between the grantee, discharger, and 201 Authority, whether it is state or EPA ultimately, whatever industry says about capacity is going to be subject to change. If they want to pull out, they will pull out.

MR. DONAHUE: That is Alternative 16.

MR. ELLICOTT: All right. No. 14 and 16 can be combined with several of the other choices here.

MR. DONAHUE: Right. Very few of them are mutually exclusive.

MR. ELLICOTT: That was my feeling, too.

MR. DONAHUE: Very few of them are mutually exclusive. They can be combined or modified.

MR. ELLICOTT: That is my only comment on No. 1. I think that is a weak argument. If it makes people feel good, you can leave it in. It doesn't make any difference to us.

No. 2, I assume that the description under the alternative there is the present system. Am I wrong?

MR. DONAHUE: No. EPA right now will pay for 75 percent of eligible costs for your project, including future capacity, and how you determine that future capacity right now is subject to flux, but EPA will pay for some future capacity.

MR. ELLICOTT: I see. Current needs, I understand now.

MR. DONAHUE: Same on No. 3.

MR. ELLICOTT: Under Alternative No. 8, I think the circuit breaker concept is an interesting one, and there are several other alternatives--or other circuits that I would add to that. But I am going to go back and huddle with my people on that.

MR. DONAHUE: Okay.

MR. ELLICOTT: Is there a tax expert in the room?

Alternative 9. Allow tax credit for ICR payments.

God knows, I am no expert. But as I understand it, an industry can deduct ICR payments now.

MR. DONAHUE: That is expense, and you only get 50 percent of the benefit. If he allows tax credit, you get 100 percent.

MR. ELLICOTT: One hundred percent write-off. That is interesting, you know. Fifty percent they can declare, which means in reality federal government is only getting half of the half that they are going to get.

Alternative 11, you might want to have something on 86-660 that explains what that means, if you can. It doesn't have to be very detailed. Most people can't remember their name back in 1956.

MR. KIRK: What funding level?

MR. DONAHUE: Well, I don't know.

MR. KIRK: Seventy-five or--

MR. BROWN: This doesn't address a funding level. This just addresses paying back the local share of capital costs. That is all they are talking about.

MR. KIRK: You have to make that clear.

MR. BROWN: I am glad you brought that up.

MR. ELLICOTT: That is really it. I think you did a good job on trying to consider a range of possible choices, and I give you full credit for your ingenuity. I still like No. 1.

MR. COOPER: John, I would like to just go back and review our industry's concern with Industrial Cost Recovery. You can't really separate out user charges. It is the total cost for waste water treatment.

We have had our members come to us over the past several years stating that their cost for participating in cities being upgraded with these 92-500 funds are more than their competitors that are in cities not being upgraded or are more than their competitors that have their own waste water treatment systems. We worked with the Congress to get this study into the law. We are happy with the way that you and EPA have taken hold and are implementing the study.

I think the list of alternatives you have here is good for discussion. We favor No. 1 also. But what we are after is a way of bringing competitiveness back to the industry, however we can do that.

Alternative No. 1 we think would do it. We are certainly not opposed to discussing with you other alternatives to elminate this disparity in cost that we have. This is where we are.

MR. DONAHUE: One of the alternatives, and it is in here very subtly in Alternatives 2 and 3, is a possible consideration--this is really a variation on the alternative, of EPA paying for present needs, present capacity to meet present effluent standards, national standards. This would effectively, if you took that variation on this alternative, would effectively say that EPA wouldn't quite so readily pay for AWT, and if the local government or the state wanted AWT, then it would come from local sources.

MR. COOPER: We would support that.

MR. DONAHUE: I am not saying we are supporting it. I am saying that is one of the variations on this thing. It appears that ICR and user charge are very high, noticeably higher in places where you have AWT.

MR. COOPER: That is why I am confused about your costs on this ICR study data, October 10, here. You look at the tertiary over here, and it doesn't come up that way. We know that it is true.

MR. BROWN: Let me say one thing about these statistics. This is the first very, very rough cut of what we have got. We realize that they don't run the way everyone expects them to run, and we have got some explanations for that. It is the things I tried to talk to you about earlier. People gave us half a questionnaire back. What do we do with that information? We throw it out. Here it is all in here.

MR. GALL: The other thing, I haven't talked to Alan about this at all. First of all, the average size of the plant surprises me as being large, but the other thing is, the tertiaries may be a lot of add on's to existing secondaries. I don't know how that would be reflected in data. They may have had secondaries and had to go to phosphorus.

MR. COOPER: We are willing to work with you and evaluate all your alternatives to a solution to our problem.

MR. DONAHUE: Jack, we do appreciate your cooperation so far. It has been really great.

MR. COOPER: Thank you.

MR. ELLICOTT: You might want to have something from the National Food Processors there to explain this to people at a public meeting, Jack.

MR. COOPER: We haven't done that, Ed. Why don't you take a minute to run through self-treatment, POTW(indicating).

MR. DONAHUE: This second 3-page handout, titled "NFPA Self-Treatment"--that's the title of the first page. It's a 3-sheet summary of surveys gathered by the National Food Processors Association of their own members, and using their data which we assume is accurate--we didn't verify their data. When they said they spent so much, they had so many gallons capacity, or so much discharge, we accepted that as accurate data.

What we did was run through a couple calculations averaging out some costs to show what it cost a food processor who is a member of the National Food Processors Association, and who responded to the survey, to treat "X" gallons of sewage, whether they treat it themselves, use a public sewer system, and so on. It would appear from the data we were given that it is less expensive for them to treat their own sewage. It depends on the makeup of the sample--if people who responded really represented a cross-section of the food processors, I can't vouch for that, but our statistics are based on people who responded.

It is a pretty good size sample.

MR. COOPER: Run through the results.

MR. DONAHUE: Let me ask Alan and Mike since they did this, to explain how they got these numbers.

MR. TOWNSLEY: What we did was make accumulation by self-treatment, by land application, by POTW, and listed what they had listed as their annual contact flow as some sort of sizing. I realize that the annual amount and peak daily is something different, but there was no way we could add peak dailies for a 30-day period and 6-month period.

MR. COOPER: Most of the surveys that you probably got back are on seasonal industries.

MR. TOWNSLEY: Almost 95 percent seasonal.

MR. COOPER: High peak in August and September, and go off into nothing in December, January and February.

MR. TOWNSLEY: There is a difference between annual contact flow and what you have to gear up for. There was no way we could take those peaks and do anything to quantify it. It is a gross average. It was dollars and gallons, and these were the figures that came out from it. If we had another 300, maybe, it might change, but I rather doubt it,really.

MR. OLSTEIN: What statistics would say is we had a pretty good sample size. The only problem is that when you have got a free response type of survey,in a situation like this, that there might be a bias in forcing certain people to respond and others not to. That is a possibility that you have in a situation like this, that we couldn't handle in our statistics.

I think in what you have here really relates back to what you were asking about. If you listen to the arguments that were made in 1972, they are really cogent. It was all very rational in 1972, but as soon as the tax laws started changing, you didn't have the same ball game any more. And when you talk about equity or parity, whatever those things mean, we have a lot of things that have taken place since 92-500 got passed, and they really confused that issue a great deal.

MR. KIRK: I have a question. Under self-treatment replacement cost, those are one-time, one-shot capital costs?

MR. TOWNSLEY: That was estimated replacement value of treatment facility.

MR. KIRK: You last line on those sheets should read, "average cost per thousand gallons per year capacity." It took me a while to decipher what you meant.

MR. TOWNSLEY: Yes.

MR. GALL: Robbi.

MS SAVAGE: I think it would be out of order for me to really comment on these until I huddle back with members a little bit, but I think we have written comments for you. And I would like to know: Are you going to have the list of the industries and grantees available, the ones you went to visit? Is that an available kind of list we could see or are you keeping that under wraps?

MR. HUELSMAN: No reason.

MS. SAVAGE: It might be helpful to have some of our members participate in those meetings if they knew who--

MR. HUELSMAN: Grantees and industries.

MR. BROWN: We can tell you what cities, it would be fairly easy, but telling you which industries--

MS. SAVAGE: My last point is going back to the public participation thing. I think it is incumbent on EPA that rather than having us comment on participation in these final days, and having our own opinions about it, it might be worthwhile for EPA to go back and find out why, as study progressed, the membership of the Advisory Committee changed and what were the reasons for people attending and not attending, so that if they are truly looking for meaningful public participation, I think is the word, that they will be able to analyze from this model project what the problems were, and maybe how it could be improved in the future.

MS. BAUER: One quick thing. On page 3, under advantages for No. 11, the first one is that it would "eliminate complaints of inequitable charges to industries discharging to POTWs funded under different programs." I think that is something that could be given under some alternatives, too. It is only mentioned that one time. It is a basic point for the whole study that we are dealing with ICR now, and I know this has been brought up before, but I feel that point should be listed as an advantage or disadvantage in some of the other alternatives, other than that one.

MR. GALL: You are addressing about elimination of inequitable charges?

MS. BAUER: Right. We hear this from our own standpoint about industries in the Northeast that are coming in now and having to pay ICR, and how there are industries in other parts of the country that built plants eight years ago or whatever, and did not have to and getting back to the whole question of our companies do not have the competitive edge. That is one of the reasons they say they don't, because of this. I feel that point maybe should be brought out. It is a factor in some of the alternatives, but it is only mentioned that one time.

MR. GALL: That goes both ways of course.

MS. BAUER: Right.

MR. PAI: I want to solicit some comment from the advisory group: Why would ICR be excessive or would the user charge be excessive, what would be certain things that we should improve under our construction grants program in general? For those of you who go through this process, you may quantitatively say why user charges are so high or in certain cases why user charges are so low in certain cases, and what a contruction grant program does in general to meet both of our demands of growth, and in the meantime pose a regional fee that would not cause a hardship.

Those are the things. Maybe you don't want to see ICR so much, but get to the fundamental problem of why the cost is there. The basic issues, if cost is there, somebody is going to pay for it. Maybe it will shift that burden to one or another.

One of the things you may want to look at is why the costs are there. Is there any way we can reduce the total cost, and in that way everybody will get a benefit, not only one group, or any other groups. So those are the things that I think can come from the advisory group.

The key point is why are the costs in your judgment too high?

That is the real issue in my judgment.

I think with John's summary statement we will wrap up for the day. I presume that the next meeting we have will be announced via the same format that this one was.

MR. DONAHUE: I think we should agree when such a meeting will take place. I am sounding out people here. I would think that the time for such a meeting would be after a draft final report has been written.

MR. HUELSMAN: That's right.

MR. COOPER: Before it is submitted to the agency.

MR. ELLICOTT: It won't make any difference.

MR. COOPER: It should be available to this advisory group to review and comment on before it is finalized.

MR. DONAHUE: We are going to have a draft final report, and then we thought that was the document we were going to circulate; and based on the comments or reaction to that, expanded, whatever, and issued in final form.

MR. HUELSMAN: A draft of not all the stuff that goes into the final report, but the one that says here is our conclusions, here are the facts, here are the recommendations type of thing.

MR. COOPER: That is what we would want to look at before our next meeting, that is what Ed is saying?

MR. DONAHUE: We would have the report to you before the next meeting. But the report would also have been given to EPA.

MR. COOPER: Not the final report, but just a draft.

MR. DONAHUE: That's right. The draft final report is supposed to be ready in mid-November.

MR. COOPER: Are you going to make it?

MR. DONAHUE: We are going to try. We will make it.

MR. ELLICOTT: You have done pretty well so far.

MR. DONAHUE: What I would like to send out is a letter,like two weeks before the meeting. Is two weeks reasonable?

MR. HUELSMAN: If you are going to have a meeting in November, we have to realize that we are talking about the last week of November probably when we could have the next meeting, and we are not going to have that draft report probably very far in front of that thing.

MR. COOPER: Why not have the meeting on December 4?

MR. HUELSMAN: That pushes the final deadline down.

MR. DONAHUE: The final report is supposed to be-- the law says by December 31, that is when EPA has to have it for Congress. It has to be to EPA before that. We were planning to have the final report to EPA by December 20.

MR. ELLICOTT: How does Monday, the 20th of November sound?

MR. PAI: Why don't we have a meeting the last week of November, and if we don't have the final report, at least they can take a look at the recommendations. We can't go much later than the last week in November.

MR. HUELSMAN: We will get it out to you.

MR. COOPER: What about the 29th, Wednesday? Thanksgiving is the 23rd.

MR. HUELSMAN: This is the week after Thanksgiving, the 29th.

MR. DONAHUE: The 29th is fine.

John, is that okay with you?

MR. PAI: Fine.

MR. ELLICOTT: We are talking about minimal conclusions and recommendations?

MR. DONAHUE: Yes.

MS. SAVAGE: If it is too much for you, maybe we could call and find out if drafts are available and we could pick them up if we want to review them.

MR. DONAHUE: Let's work out the logistics later. We may have them available and can mail them out.

MR. PAI: When you review alternatives, you may want to pick more than one, and more or less state your preference, because your first wishes may not always be the one that is going to be used. You may want to go maybe three or five alternatives.

MR. DONAHUE: Or come up with some new alternatives altogether.

MR. HUELSMAN: Alternatives to be considered ought to be coming in pretty quick, not wait for the 29th.

MR. PAI: In the meantime, if they want to comment tomorrow, they may say I like one 100 percent, and the next one 90 percent, and so on.

MR. GALL: I think that will conclude our meeting for today.

(Whereupon, at 3:50 o'clock, p.m., the meeting was adjourned).

INDUSTRIAL COST RECOVERY ADVISORY GROUP

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Wednesday, November 29, 1978

Environmental Protection Agency
Room 1032, East Tower, 401 M Street, SW
Washington, D. C.

The meeting was convened at 1:45 p.m., John Pai presiding.

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PROCEEDINGS

MR. PAI: Good afternoon. I want to thank you all for coming. This is the last scheduled advisory group meeting on the industrial cost recovery study.

I am John Pai. I am the project officer for EPA on the study. I would like each of us to introduce and identify himself or herself so we can get the meeting under way.

MR. BROWN: I am Alan Brown of Coopers & Lybrand.

MR. DONAHUE: I am Ed Donahue from Coopers & Lybrand. I am project manager for C&L for the study.

MR. GALL: I am John Gall. I am from EPA Region I in Boston.

MR. HORN: I am Ted Horn. I am from EPA Region V in Chicago.

MR. COOPER: I am Jack Cooper with the National Food Processors Association.

MR. KIRK: Don Kirk, H.J. Heinz Company and National Food Processors.

MR. PERRY: Bob Perry, Water Pollution Control Federation.

MR. GILDE: Lou Gilde, Campbell's Soup Company, representing NAM.

MR. SILVERMAN: Larry Silverman, Clean Water Action

Project.

MR. BUCKLEY: Steve Buckley, Massachusetts.

MS. BOOLUKOS: Susan Boolukos, American Frozen Food Institute.

MR. GASPAR: Lewis Gaspar, Congresswoman Heckler's office.

MR. KRZEMINSKI: I am John Krzeminski. I am with Air/Water Pollution Report.

MR. PAI: Since this is our last scheduled meeting, I want to use this opportunity to thank you all for the help you have provided to us throughout this study. I hope we made our best effort to your satisfaction, that we made our best effort trying to do a study to address all the issues that have been raised by the Congress and by each of you.

The agenda today, briefly, is that I will ask Ed Donahue to brief you a little bit about the ten public meetings we had in the latter part of October. Then we will ask you to review the summary and findings of the report that C&L submitted to us. Then we will solicit comments from every one of you. Then we will go to open discussion.

MR. DONAHUE: The ten public meetings that were held in the ten EPA regional offices in the latter part of October had attendance ranging from one in San Francisco. But we felt, since he had ridden two and a half hours to see us, obliged to go through the whole presentation. It was an evening session. He drove up from Modesto. The largest number of people was in Boston, where we had about a hundred people at one of our sessions.

At those sessions, in addition to making a presentation on findings, conclusions, and possible alternatives, we asked for written comments from anybody who would like to comment on alternatives or who would like to suggest possible additional alternatives or variations on the alternatives. I guess we got about 60 to 70 comments which we are going to reproduce and include in the data and exhibit section of the final report. We are going to sort them by region.

We tried to sort them by the sense of the comments. Out of the 60-odd comments, all but nine or ten suggested simply eliminating industrial cost recovery. Maybe a half dozen of the nine or ten suggested some alternative to ICR as now formulated. Three suggested keeping ICR. That was the town of Templeton, Massachusetts; Rupert, Idaho; and I can't remember the town in Colorado. They are small towns that use the 10 percent that they get from ICR to hold down their property taxes and operate the town budget. They are all towns that have a large share of the town's sewerage system being used by industry.

That is about the total of the comments we received from the public meetings. Based on those comments and a lot of discussion among ourselves, we put together the draft of the volume one summary of the final report that you all have received. In it we set forth pretty much what we had said at the ten public meetings plus made specific recommendations. The report is supposed to have been received by everybody last Tuesday or Wednesday. Apparently not everybody got it then. Some people on Capitol Hill received copies last Monday. To date, we received no comments in writing or orally from anyone about the report.

What we are going to do is, based on the comments received on this draft report, working with EPA, we will revise this report and the detailed reports to support it. What we plan to do is circulate the summary report which you have in draft form. When it is in final form, we plan to circulate that very widely to anybody who wants it. Anybody who asks will get copies of the volumes two and three, the detailed methodology, findings, alternatives, recommendations, data and exhibits kind of stuff. The transcripts, which total about 2,000 pages, we really are not going to encourage people to ask for copies of those; I don't really see it would serve much purpose.

We are going to give EPA the required number of copies of the transcripts of the whole seven volumes for them to use, plus some copies people on the hill have requested, and a couple of other copies. But we do not really see a whole lot of sense in reproducing all the transcripts in great quantity.

That is pretty much where we stand now.

MR. PERRY: What is your timing on the final?

MR. DONAHUE: We have asked for comments in writing by the 6th of December. We plan to have a final version of the report by the 15th of December to EPA. We will start writing the thing right away. We plan to have it printed and to EPA by the 15th of December. EPA will have to review it internally. They will have to transmit it to the hill with whatever reservations or qualifications or endorsements or comments they want to make about the report.

MR. COOPER: Will EPA be issuing their own report, or will they be sending your report with, what you said, modifications or with supplementary comments?

MR. PAI: This report, when it is in final form, will be an EPA report.

MR. COOPER: In other words, when it goes through the internal review processes at EPA, it will not be changed?

MR. PAI: At this time I have circulated within EPA for internal review already in its present form. So, they will send a written comment to me by December 6th. So, on December 8, we will have agency review. Everybody will sit around a table as we are here today. Any comment received from you or any other public body which has received this draft report will be put on the table. We will try to respond to all the comment we have. Based on that discussion, hopefully, Coopers & Lybrand will go back and draft a report which will be an EPA report.

MR. COOPER: I see.

MR. PAI: Are there any more questions on the procedures or on the public meetings? If not, we want to go into discussion of the executive summary report itself.

MR. SILVERMAN: Do you feel you have gotten the full range of opinion that the public holds - various sections of the public hold?

MR. PAI: Can you repeat the question?

MR. SILVERMAN: Do you think you have, in fact, solicited and received most of the opinions that people have on this subject?

MR. PAI: I think we solicited opinion from as wide and diversified group as we can. Evidently their interest is showing in the way they provided response to us.

I hope that answers your question. In other words, we can only solicit a comment from them to the best we can. But we cannot force them to send us comments. I guess, in a way, you can take the lack of comment - I took it as at least not offensive.

MR. BUCKLEY: What is your opinion of the overall response that you received?

MR. PAI: I think those who are really interested and who are really impacted by the ICR did respond. To the public at large, I think generally they are still a little understanding of what ICR is. Of course, many of them do not impact by ICR as much as some other industrial group or municipality. By that, I mean that is why we do not receive a lot of comment from the public at large, even though we very much solicit their comment. But there really is not as much direct impact on them.

For the cities that are impacted by ICR - by that, I mean there is not a lot of industry in their cities - the public does comment.

MR. DONAHUE: I would like to briefly discuss the four recommendations we made based on what we saw and what we heard during the study --

MR. PAI: Excuse me. Have all of you had a chance to read the summary report?

You may not want to go into details, and thus open up more time for discussion.

MR. GILDE: The summary report has a handout that was given at the different meetings around the country. I have not studied it in enough detail to see if you really changed it, but I ascertained at least one place where you have not changed it. Have you been able to crank in what was fed to you at these various hearings to revise those answers to the nine questions of Congressman Roberts?

MR. DONAHUE: We got very little information at the ten public meetings which would cause us to change answers to Congressman Roberts' questions.

Do you think there is any one in particular that we have not answered properly?

MR. GILDE: Yes. Question 2 says whether the ICR program and resulting user charges cause some communities to charge much higher costs for waste water treatment than other communities in the same geographical area. That's on page 20. Camden specifically raised that question. I thought a lot of the data that was sent in by the National Food Processors both operating costs of the sewer plant and debt service through user charge then there was a difference. But the total cost of sewage treatment that you were paying for was not different from one place to another.

We didn't begin to try and analyze differences in property taxes.

MR. GILDE: The letter that the mayor of Camden turned in said specifically another community boardering right next to them had their adequate secondary treatment billed prior to Public Law 92-500. He is still waiting to hear the final cost on his. He knows it is going to be five times or more than what that community has to charge.

MR. BROWN: One of the problems we ran into here was attempting to compare a before-and-after situation. There is a community out in California that volunteered to participate in the study called Los Banos, California. They have basically two large industries. One is a dairy processing plant, and the other is a meat packer. Because of Public Law 92-500 and their interpretation of how they set up their user charge and industrial cost recovery, they were receiving threats from the two large industries that the industry was either going to move out of town or close down.

I have spent about a week on the telephone and out there in person interviewing these people and talking to the industry, to California state representatives. Everybody you talk to you get four different stories. Eventually what happened after the interview last August was the fact that Los Banos said that one of their large industries was going to move out of town. It was a cheese processing company that bought raw milk from the dairy cooperative. This was going to be roughly 50 jobs. It was about 30 percent of the total flow and loadings from the dairy. It was a significant user on the system.

Depending upon who you talked to, it was going to have either zero impact or a tremendous impact on the community. The basic reason, when we talked to the people from the dairy, they left was that charges for waste water treatment cost is going from about $300 a month to an estimated $5,000 a month. The dairy wanted to expand production. They felt that they could move about 17 miles and pick up an abandoned dairy plant. With the reduced waste water treatment costs, they could go ahead and fund the purchase of the new building.

I talked to the dairy people, and then I talked to the State of California. I said, when the dairy moves from one location to another, will the new town meet effluent guidelines; are they going to meet the requirement? And the state said they're not sure. Yes, in fact, the cost that the new location will charge will be about $300 a month. But the state cannot guarantee that they are not going to have to require them to get a 92-500 grant to upgrade their treatment because they are not sure that they are going to be able to meet permit standards once the dairy moves into the town. The diary tells me that they have investigated this and talked to the state, and they don't think there is going to be any problem. But the state says that they are not sure.

Just to complicate the whole matter, when the grantee set up its user charge industrial cost recovery system, there was some disagreement with the state on how costs had to be allocated and what industry's share was going to be. Industry made all its decisions based on estimated cost of $160,000 or $170,000 a year. Once the final system came back approved from Sacramento, industry share was down to about $70,000 a year.

So, for us it has been very, very difficult to ever make any kind of a comparison from one geographic locality to another. The case I have just told you about has been written up as a case study and will be referenced here in this section in the detailed findings saying this is the kind of situation that can exist and that we feel is out there. But, as yet, the data doesn't exist for us to really document it.

MR. PAI: Maybe what you want to do, if you do know of any specific area where this does exist, and referring back to Ed, you can share your data, Lou, and go through the data again to see if there is anyplace where this showed up.

MR. DONAHUE: Lou, you are really looking at two things in your question. Our study and our report says that ICR is not doing what it should be doing. It should be eliminated and some other things should be done instead of it. What you are trying to get us to say is that proportional user charges should be eliminated. Am I correct?

MR. COOPER: No.

MR. GILDE: I am trying to add in the other thing that is there besides ICR. That is user charges has to be addressed. User charges can be a problem. In order to adequately answer Congressman Roberts' questions, if you have identified where user charges are a problem, then should Congress address greater flexibility in user charges: yes.

MR. DONAHUE: We cannot find that as a problem. You cited an instance. We really cannot find any pattern of that kind of thing happening. I am not trying to adopt a kind of adversary role; I am trying to be helpful. But I really cannot, I will not be comfortable standing up in front of a congressional committee saying that that's a problem because I do not have enough data to say that.

MR. PAI: One of the concerns about ICR in essence is ICR has to be paid only by industrial users. That is why we get into the double taxation problem, whether it would give them more problems than the ordinary residential users. But user charge is a cost that everybody pays. It is not really impacting industrial users as much as it impacts residential users.

Any flexibility, the way I look at it, is either shift the burden from the residential user to the industrial users or shift from industrial users to the residential user. In either case, it does not fulfill the intent of proportional charge as stated either in 92-500 or in 95-217. That is why we are not going to address the flexibility of user charges in the study.

MR. DONAHUE: Lou, one of the issues that you are alluding to -- and I guess this is one of the things that we noticed. The assumption was made when 92-500 was enacted, with this country's fondness for technology, that the unit costs of treatment were bound to be lower in these big, new, modern sewage treatment plants than they were in older ones. That is not turning out to be true at all. So, people using older sewage treatment plants can indeed be paying a lower unit cost --

MR. GILDE: The other misconception that came about, too, was that somebody that conserved water, reused, recycled, reclaimed the maximum therefore ended up with a high strain, that he would get the maximum benefit out of entering into a combined system. This does not prove out mathematically. The benefit of taking a strong waste and putting it in with a weak waste accrued to the people with the weak waste. If you turn the problem around and told the people with the weak waste to concentrate, recycle, reclaim and conserve, your cost reduction would be far greater.

MR. DONAHUE: Except that, by reducing your consumption of water, you are being billed for a lower volume of water.

A fair portion of the total relates to flow. So, if you can cut down on your flow. The O&M costs of the average sewage treatment plant may be fixed, but the number of units over which it is being spread are smaller; and you have the smaller percentage of the total, so you have less.

MR. GILDE: When you get to specific cases and identify the values gained by either being in a joint maintenance system or being out, the benefits always accrue in most cases to people with the weakest sewage.

MR. DONAHUE: Yes, sir.

MR. PAI: If you do not derive any benefit from water conservation and water reuse, why do you do it?

MR. COOPER: You derive internal benefits, but --

MR. GILDE: I am talking about the benefits -- the industry for the most part, particularly the food industry and other industries like that, have made a sincere effort at water conservation and so forth. Okay, now you end up with a strong waste. It goes into the rest of the community system, which is very weak. There is a benefit of the joint treatment system cost-wise. But most of that benefit accrues to the people with the weaker waste.

MR. PAI: Why do you say that?

MR. GILDE: Well, we can give you examples of the cost to treat alone versus the cost of being in a bigger system. It always comes out that all those benefits of unit cost move to the community as a whole.

MR. PAI: Let me interpret that a little further. I think you can also - relating that to the volume discount you usually have for larger users, that the way you are talking about really is incremental cost or the incremental benefit. It is data on the user charge system at least that the benefit should be shared by everybody.

You can also argue about volume discount. The fact that you use more water doesn't increase the capacity of the sewer that much or that the deliverer of water to you is much less.

MR. GILDE: I wasn't arguing for volume discount.

MR. PAI: I am just saying that you are arguing about the same point. Any benefit from the joint agreement should be shared by everybody, not only to the people who benefit, the residential user.

MR. HORN: I think what he is driving at is that in some communities the domestic, if you will, other than - the nonindustrial is weaker. However, in those communities where it is cost-effective there are efforts to study the sewer system and rehabilitate to get rid of this infiltration inflow problem. I believe you are right. The more concentrated is the waste, the cheaper it is per pound to remove. We found the converse of what you are saying. Many dischargers of a weak strength feel as though it is cheaper to treat. Yet, in allocating costs, they average the cost. It cost so much per thousand gallons because the identity of the source of the sewage or waste or pollutant is lost in the collector system. So, it comes out to be an average cost per pound. And that is generally lower where it is more concentrated.

I guess part of the problem -- and if I may address the question. Is this a direct quote from the congressman's question?: Whether the ICR program and resultant user charge --

Well, the user charge system does not result from the ICR program. As John tried to point out, there will be a user charge system in each municipality funded with a 92-500 or a 95-217 grant, completely independent of industrial cost recovery. In Region V, we have 300 approved systems of which only 170 have also an industrial cost recovery system. So, approximately, only one out of every two systems has a companion industrial cost recovery system to it.

MR. DONAHUE: The user charge and industrial cost recovery are two separate issues. You know that, and I know that. When the congressman asked those questions, he had the prerogative to mix apples and oranges; and he did.

MR. HORN: That's why I asked whether it was a direct quote.

MR. DONAHUE: Yes, this is a direct quote from his --

MR. HORN: Again, much higher costs - some charge much higher costs. They can't charge a cost; they can levy a rate, I guess, to cover it. I didn't know whether it was a typo.

MR. DONAHUE: No. The questions are verbatim from his questions entered into the Congressional Record. They are not condensed or edited. They are verbatim quotes of the questions he put in the Congressional Record.

MR. HORN: I see.

MR. PAI: Jack, you have a comment?

MR. COOPER: Yes, I do. In the municipalities that you went to -- you went to 200, I believe -- were all of these with established ICR programs? Or most of them?

MR. DONAHUE: No.

MR. COOPER: They were just communities picked at random?

MR. DONAHUE: No.

MR. COOPER: What criteria did you use to select communities?

The point I am trying to drive at is, perhaps you didn't go to communities that didn't have an ICR program in the works. Therefore, you would have missed communities where they had lower costs because you didn't go to them.

MR. GALL: Let me try to answer that for you, Jack. At least in my region, the Coopers & Lybrand asked us who we should visit. One of the basic criteria was that we had to visit communities that had information on ICR rates. Whether the system was approved or whether it was a good document so that there was a fair assessment of what the impacts were going to be was really immaterial. So, the communities that were selected, for example, in Region I almost without exception either had an ICR program that had been approved or had a fairly detailed engineering document that they could pick out specific rates and, in more instances than not, specific charges for specific industries.

There were a couple, I believe, that were 84-660 projects which provided for kind of a historical perspective.

MR. COOPER: That is the kind of information, I believe, that the congressman was addressing here in capital A: whether the ICR and the user charges for some communities were higher than waste water treatment in other communities in the same geographical area, implying those areas where they didn't have ICR user charges because they had adequate systems that were either built with their own money or under prior grant programs.

I believe that the answer that you have given here isn't reflective of the existing situation. Yes, indeed, there are communities where this exists. Our people are telling us that it exists. I believe that the data that we have provided you in our questionnaires will show that. We may have to go back and dig into them ourselves in order to find it, but we know it exists.

MR. BROWN: What we did to answer this question was specifically to ask EPA whenever we drew up our list of cities, can you come up with a situation where there is a disparity from one town to another. Nothing was identified specifically for us.

What we were talking about here was the same geographic area we pictured as roughly 50 miles.

I got all kinds of quotes in California from the canners out there about the differences in rates from Northern California to Southern California, the difference between Wisconsin and California. I got a lot of that kind of information. We get some from Campbell's Soup and other places.

As far as the same geographic area and the disparate rates in the same geographic area, the only specific case I can think of is the Los Banos thing I just told you about.

MR. COOPER: Maybe what we need to discuss is the 50 mile radius. Maybe that is too limited. Certainly, competitors are not necessarily in a 50 mile radius in the canning industry. They may be within 500 miles of each other.

MR. BROWN: But is that the same geographic area?

MR. COOPER: I don't know.

MR. BROWN: The problem we had is we didn't define it but we felt the same geographic area had to be fairly close.

MR. PAI: You all have received the 200 cities that Coopers & Lybrand proposed. We have made some changes because of some comments you have made. In addition to that, we also defined what the geographic area is: either S.A. area or within a 50 mile radius. That is the ground rule we set up before we go out into cities and determine what is in the same geographic area.

MR. GILDE: It would be interesting to know what Congressman Roberts' interpretation of geographic area is. He might have been thinking in terms of the East, the Midwest, the West, or in terms of the regional EPA area. But 50 miles does not enable you to compare like things.

For instance, you take Sacramento, which is a case you studied so thoroughly. There is no other community within 50 miles of Sacramento the same size which gives you some kind of comparison.

MR. PAI: The reason is, of course, when you pick a 50 mile radius, basically you have all the homogeneous factors, industries. Outside that, you may have different labor conditions, different utility rate conditions, different transportation conditions. Even if they are given a little different radius, it doesn't reflect the actual economic burdens.

MR. GILDE: In the case of Sacramento, from the standpoint of both where the state itself is concerned and food processors, food processors, given a choice now to locate or expand their operations either in Sacramento or Modesto, are all going to opt for Modesto. Is that what we want out of this whole program?

MR. DONAHUE: Our approach in the study was to identify the situation. We did not see it as our function to recommend to try to equalize nationally.

MR. BROWN: There is one thing we can do. We do have information, at least in California, on 10 or 15 cities. I am particularly thinking of the Sacramento case because they went into a lot of detail. They can compare the rates for a large industrial user - Campbell Soup particularly - and apply the rates for Modesto, Stockton, eight or ten different places in California. That is part of the case study that we did on Sacramento.

When we answered this question, we felt that we had to be fairly specific. The information that you are talking about is in the report. But I think we interpreted it in two different ways.

MR. COOPER: That is correct. We have interpreted it in two --

MR. PAI: My question is this. We have asked industrial users whether they would relocate because of ICR. In answering Lou's question about people making decisions to go to one area or move to another area, if that was the concern, then the question should be answered in the questionnaires that they would consider relocating because of ICR. Our answer to this was that nobody confirmed that they would relocate because of ICR charges.

So, the question you raise was not really there. You ask whether people would go to these areas because the rate is cheaper; they would have responded in the questionnaire.

MR. GILDE: Maybe I should redefine my problem from the beginning. My problem from the beginning was I though you had data and you have identified data that answers this question. Now, in answering the question, instead of saying, we have not been able to identify any such cases, would say, we have been able to identify some cases or how many cases and so forth, fine. But to say you haven't been able to identify any such cases I don't think is answering the question.

MR. DONAHUE: Also, you have got to read the whole question. I am not trying to be difficult. The whole question, particularly the parenthesis - some communities have indicated disparities in ICR and user charges affecting employment opportunities. We really considered that employment should be one of the gut issues in the study. And we just can't find any impact on employment.

MR. GILDE: Camden gave you a comment; even if it's the only comment you have, it's at least an answer.

MR. DONAHUE: We said somewhere in the body of the report that we found fewer than a thousand jobs had been lost because of plant closing due to sewage treatment costs. We could not find anybody who really said the only reason they closed the plant was ICR. People said that that may have been one of the reasons. But nobody would blame a plant closing on ICR.

MR. COOPER: It's a part of the whole picture.

MR. DONAHUE: That's right. It is a part of the total cost of doing business.

MR. ELLICOTT: I'm Andy Ellicott with the Association of Metropolitan Sewerage Agencies.

I think this is a worthwhile point to go into. But I think that we have kind of exhausted the ability of people here to talk about it. Lou, if I could suggest it, I would say that you get together with the C&L people and work out whatever kind of addendum you think is necessary to highlight those particular cases and bring them to the attention of people who are going to read this report. I don't think that there is anything else that can really be done.

MR. PAI: That is a good point.

MR. SILVERMAN: We have a lot of questions. I think you have to read all the questions as a whole. The first question deals with this business of geographical areas. It deals with whether small towns do better than big cities and whether one region of the country is worse off. I think that deals with a broader scope. The second question deals with smaller geographical areas, and it has to be read together.

I think the answers to the first question are very interesting. It reflects the fact that the industries suffer from the inefficiencies of the systems that are being built. It is well-known now that the kinds of systems designed for small communities are not very efficient, and it is not such a great idea to use conventional secondary treatment in small towns because you have a lot of problems. Industries in small towns suffer from that. I think that is what you indicate.

It is pretty well-known now that the AWT is often a questionable investment and very expensive. Congress has been holding hearings on that subject. You indicate that industries that are tied to AWT plans also suffer from that. I think it is not as well-known but probably true that the Northeast communities have allowed their systems to degrade to such an extent that the cost of building sewage treatment in the Northeast is higher than in other parts of the country. Again, industries in that area suffer from that. They just suffer from whatever problems systems themselves suffer from. I think that is reflected in this.

I do not think ICR has much to do with it one way or the other. So long as they are paying some portion of their share, when the total pie is bigger, they are going to pay more; when it is smaller, they are going to pay less.

MR. PAI: Andy had a good point. I think Louis should get together with either Alan or Ed and go through the data and see what matters you may have.

MR. KIRK: I agree with that.

My impression upon reading the finding, second question A, is that there is practically no variation in treatment cost from community to community. Just having read that, without reading the rest of the report and so forth.

I would hate to have an important statement in this report that would pass that kind of finding on to the public or Congress or whatever. So, I would hope, after you get together with Lou, instead of passing it off as a statement like that, you can state what you have found. The things that you don't know anything about, simply state that you have not been able to proceed far enough in your study to answer those things, rather than give someone the impression that the differences really don't exist.

MR. DONAHUE: Fine. We do not want to put misleading statements in the report.

MR. KIRK: That was my reaction in reading it: What are we going through all that study for? If this statement is true, what are we all wasting our time sitting here for?

MR. PAI: Also, I want to endorse Larry's opinion that the industries do have such problem in the area where they are situated. ICR, of course, is a consequence of it, and not a reason for it. I guess that is what you are trying to say.

MR. SILVERMAN: Also, I do not think that, if you footnote it or mention that it is a problem in Camden or a problem somewhere else, that necessarily changes the whole point. I think that, if there are isolated problems, it is good to identify them.

I take it what this means is that, by and large, this is not a problem in the small geographical area or that maybe sometimes there are. I do not think it takes away from the point. I think that any policy that is national is going to have that kind of isolated difficulty.

MR. COOPER: I would like to add something. I think it would be helpful if, in your answer to question A, you could add the geographical area that you are talking about here. That would certainly clarify the situation.

MR. DONAHUE: That is a good point.

MR. SILVERMAN: I take it between the first question and the second question you covered all geographical areas. Right?

MR. PAI: The larger scale and the smaller scale, yes. I think that's a good point.

MR. DONAHUE: Our recommendations are really pretty simple. They are not really radical. Our recommendations are four. It is page 6 of the report.

The first recommendation is to eliminate the industrial cost recovery provisions, Public Law 92-500. The reason for that is basically pretty simple. ICR is not doing what it is supposed to do and doesn't show any promise of doing what it was intended to do.

Basically, the main reason is the changes in tax laws. It seems to be an insignificant factor in water conservation and in plant sizing. So, there really is no reason to have ICR as it is presently constituted.

However, we are practical enough to realize that, just making that recommendation, there is not a whole lot of likelihood of its being acted upon on the hill. So, we said, okay, what is it that ICR was trying to do? Are there some other ways of doing the same thing that ICR was attempting to do? And are they practical and simple and generally acceptable ways of doing it?

Since the three intentions behind ICR were parity - what we concluded is that you do not need a parity creator because there is no advantage economically for our medium to large industry to use a public sewer system. There is no economic advantage.

The other two issues, the issues of plant sizing and water conservation - our recommendations were framed from the point of view of what practical and simple kinds of things could we suggest to encourage water conservation by industry and to encourage more appropriate sizing of sewage treatment plants.

That departure point resulted in the three other alternatives, to changing the Federal participation in a waste water treatment plant so that, as communities build more capacity than they really need, EPA's contribution, both in absolute dollars and in percentages, will drop off. Basically, all the second recommendation says is that EPA - we are suggesting that EPA not pay for speculative industrial capacity and that EPA pay for present and projected residential and commercial capacity, existing industrial capacity, industrial capacity for which industry can be identified and is willing to sign a contractually binding letter of commitment. Any capacity that a community wants to build on speculation beyond that, let the community pay for it.

So, if you build it and it is not used, everybody in the community - industry, residential people, everybody - pays for it.

MR. PERRY: Isn't that fairly close to the existing --

MR. DONAHUE: Except that EPA pays three-quarters of the cost now and will pay three-quarters of what you need if you want to build more - they will still pay three-quarters of the cost of what you now need and not pay anything more.

What we are suggesting is that, if you build more than what you now need - what we just defined - that EPA's share drops from 75 percent to less than that. So, you are going to get fewer dollars for the current needs.

MR. HORN: You are approaching here on some, first of all, basic planning concepts.

MR. DONAHUE: Yes, sir.

MR. HORN: In 201, you know, they are designing for the year 2000.

Secondly, the needs survey is predicated on -- and this is project priority list and everything -- for the year 2000 the whole planning concept is --

MR. DONAHUE: Yes, sir.

MR. HORN: Maybe the summary doesn't have it. But how -- what is causing this tremendous design for the future?

MR. DONAHUE: You have to stop and examine how much capacity you want to build. By "you" I mean everybody, not just EPA.

You are building a plant now for some future use. You cannot identify all the use. One of the things that we think is significant is the industries we talked to have reduced their water consumption by almost a third.

MR. HORN: But there has been -- okay, a semantic problem -- reserve capacity. "Reserve capacity" to many people means like you reserve troops or something; they are held in abeyance. But, really, there is another concept that is reserved for somebody by ordinance, contract, or something or other - the difference between reserve capacity and excess capacity or unused capacity. All of those things mean different things to different people. That is part of the problem.

You have introduced another term like immediate capacity, what is required by the people, who are there, and will pay for or have paid for, when the plant goes on line - with a very limited amount for expansion.

MR. PERRY: I guess my concern primarily is that there has been an awful lot of effort already expended in EPA and the Congress on this whole reserve capacity business: 201 planning, 208 planning is all involved in this. Everybody is aware of the problem. To muddy the ICR water with it is just doing that, I think. It is going to make the whole study, the whole ICR problem more difficult to deal with.

MR. DONAHUE: If people are really doing a good job of planning, then this thing should not cause any problem.

MR. PERRY: The other point, I think, is that what you have said about 227 plants - ICR certainly has not had any impact, or very small impact, on the sizing of those plants. When were those plants built? When were those plants designed?

Long before ICR had anything to do with it.

MR. DONAHUE: Most of them are under 92-500. So, they had to be --

MR. GALL: Yes, but they were sized back in the early seventies or sixties, before ICR was a concept.

MR. PERRY: So, it is difficult for me to believe ICR had any impact, or very negligible impact, on those 227 plants.

MR. DONAHUE: It didn't. That is why we are saying we should do something else instead of it.

MR. PERRY: But ICR wasn't even in effect then.

MR. DONAHUE: But ICR was intended. Even the plants you are designing now, ICR -- the intention of ICR, if you go back and read the legislative history, one of the things it was supposed to do was hold down excess capacity. Go back and read the legislative history in '72. It doesn't look like it has done that, and it doesn't show any promise of doing that.

We are trying to suggest some other alternative which isn't too complicated, which shouldn't cause too many people too much of a problem, to try and accomplish the same thing.

MR. PAI: What we are talking about is that industries are more or less paying for their share under ICR now with little flexibility. So, what this does is the industrial can still reserve as much capacity as they want except that there is a relationship between him and the grantee. They work it out without Federal intervention or without Federal funding. Under the case of Federal funding, still the industrial user pays back under ICR anyhow. So, this is just saying we allow the grantee to negotiate that portion of ICR.

MR. PERRY: As I understand what you are saying, John, that pretty much is in agreement with present EPA policy.

MR. SILVERMAN: I was going to say, with regard to this reserve capacity, I agree that it is a very controversial thing. The difference between some of the other people who are speaking to this problem and this report is that you folks seem to have some facts. I was very, very impressed by the factual content when you were talking about you know what the average usage of plants is.

You indicated that there is a community that is using only 4 percent of its plant's capacity. You privately told me that Springfield, Vermont is using 34 percent of its capacity. So, you evidently have assembled some data which no one else has ever had.

I think that data is extremely valuable. I hope you will highlight it. It think it will enlighten the entire debate on this reserve capacity issue.

MR. DONAHUE: Obviously, when you are building a sewage treatment plant, you are building for now and for some period in the future. We are not about to get ourselves embroiled in how far in the future you should build for. What we are saying is that, whatever you use as your basis for projections, residential and commercial, fine. Whatever your present industry uses, fine. Whatever industries you can identify and are willing to sign on the dotted line that they are going to use that capacity, fine. Suggest the feds contribute three-forths of the cost of that.

But, if you are building speculative industrial capacity, we are suggesting that you ought to think twice about it, because industry you have now is cutting down on its water consumption because of a high water rate and high sewer rates, freeing up some capacity. The question boils down to how much growth, how much future growth should present-day people pay for it.

I do not pretend to have the answer for that. I am just saying you ought to do something to address it. On the average, of all the plants we looked at, there is 68 percent usage of designed capacity. It is down to 4 percent down at Blacksburg, Virginia because they have a secondary plant that they claim they cannot afford to operate. It is 120 percent in Akron, where they are trying to build another plant.

But this thing in Springfield, Vermont is a typical kind of thing. They are using 34 percent of a plant because they got sold a bill of goods on how big the plant should be. Now everybody who lives in the town - industry, residential, everybody - is being stuck with high sewer bills to pay for the thing.

MR. PAI: We have a case coming out to us today of a community with 2,000 people. They built a 0.6 mgd plant. The result of that is that they pay three dollars per thousand gallons for a sewer bill. If you translate that, just on the sewer alone you would pay close to thirty dollars a month.

MR. PERRY: I wouldn't argue that it is not a problem; it certainly is a problem. But my argument is that ICR is not necessarily a factor in that problem.

MR. DONAHUE: It is not, but the intent of ICR was to control capacity. What we are saying is that it doesn't look as though ICR will ever be a significant factor in controlling capacity. So, we are trying to suggest something else.

If Congress' intentions are still valid, are still in existence -- and we have no reason to assume that they are not valid and not still in existence --

MR. COOPER: Shouldn't the Congress make that determination?

MR. PAI: They will make the determination.

MR. DONAHUE: They will make it. These are only suggestions.

MR. PAI: Let me say this. Basically, the number 2, 3. 4 items are trying to fulfill the intent of Congress on the following aspects. Number one is more reasonable sizing which the existing user can afford to pay. Number four is that, while the intent of ICR is that they retain 50 percent for future expansion, based on the study we find that ICR will not serve that purpose. So, that is why we say on number 4 Congress will have the local community self-sufficient in the future. When the Federal funding is stopped, they be able to continue upgrading and expanding for their future needs, that they will have a reserve fund.

Getting back to your question, ICR is not doing number 4. It is not affecting number 4. But what we tried to do is have something which would become effective. For the same reason, we proposed number 2, which means that ICR has no effect at the present time to limit unjustified future growth. It is not a fact based on ICR. So, we say maybe this would. And these --

MR. COOPER: Future total growth or only future industrial growth?

MR. PAI: Well, you know the existing projection now would allow you to have a water use projection, population projection, and industrial growth which is either 5 percent of the total future growth or 25 percent above existing industrial uses. This is what we are talking about. On this portion we fund 75 percent. Above and beyond that, we will have a declining rate.

The fact is we want to be sure that when people commit something for the foreseeable future growth that they think twice.

MR. COOPER: You are talking about the total community growth?

MR. PAI: Yes.

MR. COOPER: Maybe this wouldn't be so bad if it were just limited to industrial growth because that is really what we are studying, the cost on industrial users, that the total ICR user charge is having, and not monkey this up with how the community is going to expand and all that sort of stuff.

MR. PAI: I can see the rationale for that. The residential user now is reasonably under control. It's the industrial growth portion that we need -- I can see the merit of that suggestion. We can think that one over.

MR. COOPER: I never thought that through. I am just bringing it up.

MR. DONAHUE: I am sure that a lot of people would just prefer us to say eliminate industrial cost recovery and not say anything more. But, from a practical viewpoint, we are supposed to be management consultants; I think we are, and I think we do a decent job. We realize that, if we make that suggestion, three things could happen.

Congress could say, gee, that's a really good idea and eliminate industrial cost recovery. More likely, one of two other things would happen. They would say, well, if we don't do that, what should we do instead of it because we have these intentions and assumptions when we enacted ICR.

The third thing is they just might say, no, that just won't do; we just won't do that.

So, our approach would say, okay, if you eliminate industrial cost recovery, what else do you have to do to satisfy congressional intent.

MR. PAI: If Congress wanted --

MR. DONAHUE: If Congress wants to eliminate, you know.

MR. GALL: If I could make a suggestion. I think it may be a matter of semantics, much like we were talking about before. If you, in laying out the recommendations, took the last sentence of the recommendation and put it in front to explain that these are alternatives to do the things that ICR was originally intended to do but didn't do, I think that would clarify.

MR. COOPER: This is one of the points that we were going to make when we got to the open discussion. I might as well bring it up now. That is that you make the statement back on page 27 when you say, "Realizing, however, that the Federal Water Pollution Control Act has economic and social objectives which are assumed to be still valid and which should be met, eliminating ICR in and by itself is not sufficient. Therefore, additional recommendations are proposed."

I think it would be helpful if you could say what the economic and social objections were and then say how this recommendation would achieve that objective for each of the other three.

MR. KIRK: Also, on page 5 the same thing and follow it there --

MR. PAI: I think those are worthwhile to consider.

MR. ELLICOTT: I have some comments here from AMSA members on the four alternatives. I will give you a couple of copies of those, about ten of those.

Most of the people, as you probably would expect, are in favor of eliminating ICR - with a note of caution from more than one member saying, okay, if you eliminate ICR, what are you going to give us instead. Basically, they want to make sure that the cure is not worse than the disease.

MR. COOPER: We have the same concern.

MR. ELLICOTT: I think that we will be a little bit concerned if you simply say that ICR was intended to control the problem of excess capacity. It does not deal with that problem. There is still a problem, and there is nothing else around today that EPA or anybody else is doing that really deals effectively with the problem. I think our members --

MR. DONAHUE: We didn't say that, Andy. We said --

MR. ELLICOTT: Okay, I'll check the statement that we were talking about a few minutes ago. Maybe I didn't understand it completely.

I believe our members feel that, ICR aside, there are plenty of levers on holding down excess capacity in programs that exist now at the Federal and the State level. The grant regs, the 201 facility planning regs, at least we feel, deal successfully with the problems of excess capacity, at least for our members. Perhaps we are not a representative sample of POTW performance on the excess capacity issue.

I think it would be worthwhile to see whether or not you really want to pass a national law or create a new national policy that deals with the problem of excess capacity in a lot of little towns all across the United States that is also going to affect a lot of big towns that don't have a problem of excess capacity.

MR. PAI: If you don't have a problem, I don't think this will affect you.

MR. ELLICOTT: I think it will. What you will be doing is creating a new policy which, a, will have to be explained and, b, will have to be followed whether or not our members have anything at all wrong with the projections and the capacity figures that we are using. They still have to take it into account. They still have to spend time trying to understand it. They may even have to take time to explain it to their own constituents who may feel that there is a problem. I don't know whether you want to cut butter with a meat cleaver.

MR. BROWN: The thing we were trying to address here -- and we felt this fairly innocuous; obviously it's not. The thing that we were trying to address is we saw instances out there, for instance in the Sacramento area, where there is a large industrial user that signed a letter of intent and is now, because of increased sewage costs, seriously considering getting out of the system and going to self-treatment. When that happens, the costs are going to go up for everybody else who remains on the system.

MR. ELLICOTT: Sue them.

MR. BROWN: You can't sue them.

MR. ELLICOTT: Why?

MR. BROWN: Because the letter of intent has no contractually binding --

MR. ELLICOTT: Then rewrite the grant rates to require something a little bit more forceful.

MR. BROWN: That's what we thought this was: a rather innocuous way to be sort of forceful.

MR. ELLICOTT: A sliding scale is not innocuous.

MR. PAI: We are supporting to 75 percent of whatever we consider with reasonable assurance that it will eventually be used at. Above and beyond that, we try to eliminate the speculative purpose.

MR. ELLICOTT: That's what you do now; right?

MR. PAI: Not on the data I show us.

The only reason this was brought to our attention was because someplace there is 4 percent being used. In some places there is 34 percent being used. So, by and large --

MR. COOPER: That is not a problem with industry.

MR. DONAHUE: That is a problem with industry. If they build a plant that is too big, you end up paying for part of it.

MR. HORN: But how much of the 102 systems that you studied was actually used by industry? Does your backup data reveal that?

Yesterday at the National Water Conservation Congress, of all the potable water that is sold, power plants use 34 percent, industry uses 30 percent. The commercial and residential each have 4 percent.

We are talking about excess capacity reserve in industry. I am just wondering, of all those that you studied and, since we are dealing with industrial cost recovery, how much of the flow or the utilization was industrial?

MR. BROWN: We are not really sure.

MR. HORN: That is a significant point.

MR. BROWN: The only thing it could do is hold down the size, which would tend to hold down the cost to industry. I don't see how, unless I am totally misinterpreting --

MR. COOPER: It raises a whole new question within the Congress that would muddy the waters with respect to the abolition of ICR.

MR. PAI: Larry?

MR. SILVERMAN: First of all, there are new regulations now on this capacity business.

I would hope that in your final report that you would -- it may be that they are adequate; it may be that they can be corrected. But I would hope that, before you talk about a sliding scale, you just take a look at the regulations and see what can be done in a regulatory way without new legislation.

I think the idea that you have had here is excellent. I think the sliding scale thing troubles me a bit. I think it should be a sliding scale from 75 percent and then you drop to zero.

MR. PAI: Yes.

MR. SILVERMAN: That's a quick slide.

MR. KIRK: It says total eligible costs.

MR. PAI: It's not total project cost. It is just the cost above that 75 percent which we would pay which would be declining.

MR. KIRK: It says total eligible cost here. I did not realize that until someone had raised the first question about it. You had better clarify exactly what you mean when it comes out in final draft.

MR. PAI: There are some comments very similar to Larry's coming out from some of the reviewers in the agencies that we should stop at 75 percent and go to zero.

MR. SILVERMAN: That avoids legislation.

MR. PERRY: That's what it is right now.

MR. PAI: No. We allow you to go beyond 5 percent of the total capacity or 25 percent of existing industrial. Now you can justify further growth above and beyond that capacity now.

MR. PERRY: Not with the new guidelines.

MR. PAI: The new guidelines say, if you go beyond that, you need a letter of commitment, which is not a contract agreement. If we go through that, we still go to the question of whether industrial users are getting a free ride or not. I am not saying they are or are not. But the question of ICR remains there.

So what we say is, now you can grant its use to provide capacity above and beyond either the 5 percent or the 25 percent that he negotiated with the industrial users separately, and somebody has to be responsible to pay for that speculative capacity. It is not existing industrial users that would have to pay for that. It is not existing residential users that would have to pay for that. Whoever wants that speculative capacity there, he pays for it.

MR. GILDE: Are you saying that, for instance, within the two regions that are here today, that any of those situations that you describe could actually occur? I have the feeling that this is more a factor of different time frames. Certainly anything that has been approved within the past six months or a year and from now on would not allow the great discrepancies that you have been able to identify as a result of either 92-500 or combinations of 92-500 and 660 and so forth which did permit that to occur and that, if under the present program - in your region, for instance - it is not possible to get away with that kind of wild speculation, then we should not be directing Congress to come back to control something that is already reasonably under control.

MR. DONAHUE: We are not trying to add another layer of anything. The idea was just out-and-out recommendation to

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MR. DONAHUE: We are not trying to add another layer of anything. The idea was just out-and-out recommendation to

Congress eliminating ICR we don't think has much of a chance being passed by Congress.

MR. PAI: Again, this is the recommendation that we are considering. There already are comments coming back, some of them similar to what Larry said. But, in all fairness, even if Congress adopted the final recommendation we will put out, I can reasonably assure that this will not be additional bureaucratic burden to any people who would have to implement these things.

MR. DONAHUE: One of the intentions of ICR was to address the capacity issue. It was not the only thing to address the capacity issue but one of them. We are proposing this as a substitute for ICR. It really should not affect very many people because most people now are doing a better job of planning. It is designed to be something that is not going to hurt very many people.

MR. SILVERMAN: I think, with regard to the political aspects, you should keep in mind that last year all the public interest groups very strongly supported ICR as it is. That position really has not changed. It hasn't been considered. Also, Congress went through a great deal of trouble to enact some very complex provisions of the law, aside from the study, to amend the ICR system to make it workable. You don't address those provisions.

What that suggests is that there really is some support for the whole concept. Congress is willing to go to trouble, particularly on the Senate side, and there are other organizations that would support it.

I think that your original statement, that you really have to come up with something, a substitute, in my own judgment, for what it's worth, is absolutely correct.

We did not talk yet about the 2 cents on the gallon reserve amount. I would like to say that I think that is an excellent idea. I think that gets people into a planning frame of mind in inflationary times, and it adds some integrity and some long life to this program that it does not now have. I think that is very much on point.

I think that your discussion of these reserve things also -- I think you should recognize that anytime you mention reserve capacity to inform people, you have a controversy. I would suggest the way you deal with that is marshal your facts, which are just so good, and display them neatly so that people, whether they agree with you or disagree with you, will be very happy to see information that you have set forward and come up with your own recommendations.

Just one little historical note. Before 1972, the

ICR system was kind of reversed. It wasn't ICR, but the local share had to be paid. That resulted in sizing plants, the problem that we have today. So that in itself did not seem to me an adequate answer based on experience.

MR. DONAHUE: What we tried to do was propose some substitute for industrial cost recovery that would not harm anyone and not really cause a problem for anyone. Most people are already complying with them in one way or another. But we felt we had to offer some alternative, some substitute for ICR if elimination of ICR were to be given serious consideration by anyone.

MR. KIRK: If a substitute is necessary -- which it very well may be -- then I think your recommendation - from an industry point of view, I think your recommendation number 2 is probably the least painful thing that I have seen put on the board yet.

MR. DONAHUE: Absolutely.

MR. KIRK: I would certainly support you to that extent.

I am not entirely convinced that the substitute is needed, but I understand what you are saying and why.

MR. PAI: I think that the purpose of number 2 reflects a current problem that we uncovered. It is not whether the future growth will be justified or not. It is the fact that people who are using the plan now can't hack it; it is just too much cost for them. The same thing would go for industrial users.

If you are not using it but still are paying for it, eventually you are going to attract your competitors to come into your area. So, the whole thing is geared toward people who are coming into the system in the future, that they pay for it, not the people who are in the system who have already paid a significant portion.

MR. HORN: To pay what? When you say "pay for" --

MR. PAI: That additional speculative capacity.

MR. HORN: But, if it is constructed, it has got to be either operated -- if it's not needed in operation, it certainly has to be maintained in place.

MR. PAI: We are talking about in the future - not anything that has been constructed yet.

MR. DONAHUE: We are talking about building capacity that you do not need now and how much excess capacity you should build.

MR. HORN: I guess the point I am trying to make is the sense of timing. If it is constructed, then somebody is going to have to operate and maintain it in place.

MR. PAI: That is clear. Whatever is constructed, industrials don't pay them anymore. What we are talking about is, if we are going to build a plant now, we are going to say what you should build is reasonable growth. Anything above and beyond that, we wouldn't pay anything.

MR. ELLICOTT: The light dawns. Okay, you are saying that everybody that goes on now, if there is no ICR, that's it; they don't ever have to worry about this program.

MR. PAI: Right.

MR. ELLICOTT: They also don't have to worry about 2, 3, and 4. Right?

MR. PAI: Four they would.

MR. ELLICOTT: I'll get to 4 in a minute.

MR. PAI: Three they would. Three and 4 they would.

MR. ELLICOTT: All right. Number 2 would not apply?

MR. PAI: Number 2 was for future expansion.

MR. DONAHUE: We are not suggesting going back and reducing EPA grant.

MR. ELLICOTT: Okay. Let me suggest that you do take a look at other administrative ways to deal with excess capacity as a problem, not just Congress pass a law.

MR. DONAHUE: Give us those suggestions in writing.

MR. ELLICOTT: Okay, I will.

it was going to be spent.

Some of our members think this might be a political liability. If you have a trust fund, people can easily think that it is a slush fund.

MR. DONAHUE: Recommendation number 4 is a good point for discussion. It brings to the forefront some philosophical kinds of differences. One, is the Federal Government going to be in the business forever of awarding grants to build sewage treatment plants?

Two, is the political climate right now appropriate for really conservative financial kind of approaches to things like this? This is an era of cutting down on property taxes and financial austerity and things like that.

The fourth one is really is fairly significant departure from existing practice.

MR. ELLICOTT: Agreed.

MR. DONAHUE: It is a good point for discussion.

MR. ELLICOTT: I think you will get a healthy discussion on that.

One of the suggestions a member made was that, if you like the trust fund idea, if it is politically attractive, if Congress likes the trust fund idea - which I guess is more important than what anybody here cares about - maybe it should be a Federal trust fund.

I am not saying I like the idea, but it will be suggested.

MR. PERRY: Paying over to the Federal Government?

MR. ELLICOTT: I'm not sure. They just said have EPA keep ahold of the purse strings in the Federal level trust fund and let them disburse the monies.

MR. PAI: Let me just give you the magnitude of number 4. We are talking about two things. Mr. Donahue just informed me that the average cost is 40 cents per thousand gallons. So, what we are talking about is approximately 5 percent additional cost, which would insure forever funding for the sewage treatment plant.

Basically, politically you can analyze these things two ways. If you are looking at a political situation, by way of looking at it, one possibility is that raising revenues will become a more and more difficult problem, not easier and easier, if California is any indication of the future. So, in talking about whether you have a short-term problem or a long-term problem, my point is that you do have these two things. Then you never have to worry about raising money even for matching funds for that purpose. Even for the 25 percent local, even if the Federal program does not continue, you don't have to worry about that 25 percent ever anymore.

MR. PERRY: The amount of money you were talking about raising is not going to provide all their needs.

MR. DONAHUE: It does not come close to all you need. You are making an assumption -- it is a significant amount of money. And I doubt that you are ever going to build a sewage treatment plant from scratch. You are going to improve it. You are going to repair it. You are going to rehabilitate it. If everybody meets secondary discharge standards now, you are not going to have to build a whole lot of brand new sewage treatment plants in the future.

MR. PAI: I think in the study we show that, if we collect 2 cents and invest it --

MR. DONAHUE: -- invest it in state, local, or Federal kinds of bonds --

MR. PAI: You get about between 20 to $30 billion over a 30-year period.

MR. PERRY: At the end of 30 years, you will have 20 to $30 billion?

MR. DONAHUE: Yes.

MR. ELLICOTT: What do you do with the interest? Let's take the interest and spend it on present O&M.

MR. PAI: That's fine with us.

MR. ELLICOTT: It is? It's not fine with me.

MR. DONAHUE: It's fine as a proposal. I'm not saying --

MR. ELLICOTT: I don't need to go into number 4. I am just saying that you are going to get a healthy discussion. I commend you for your creativity.

MR. KIRK: I would like to raise one question. How are you going to keep somebody from slipping the decimal point and putting us right back into the same ICR disparity burden and so forth that we now have?

MR. PAI: This goes to everybody.

MR. KIRK: How are you going to keep it at 2 cents? You've got the thing on the board now. Two cents is just a for-instance number. What's to keep someone from making it 20 cents? Twenty cents will put us back about where we were.

MR. DONAHUE: If we made it 20 cents, I suspect there would be a lot of reaction from people like you and from residential people as well.

MR. KIRK: I have no objection to paying the 2 cents. In fact, we will hardly notice it in our sewer bill, to be frank. It is almost negligible. If we have to raise some money ahead of time, I cannot think of a more painless way to do it.

The general open suggestion just plain scares me that, if not in its initial inception, maybe a few years later down the pike somebody will just jack it on up.

MR. PAI: Maybe we can justify that number. Maybe we'll say in the 2 cents neighborhood it would not have a tremendous impact.

MR. KIRK: It has to be defined very carefully what the limitations on it should be.

MR. COOPER: Maybe a percentage basis - you said 75 percent.

MR. PAI: Okay - or 5 percent. That's a good idea.

MR. SILVERMAN: The whole idea of this trust fund goes against human nature, and human nature is to live for the day. This one says think about it tomorrow. Whenever I get my water bill, I wish somebody 30 years ago had set up a trust fund because maybe it wouldn't be so high as it is right now.

I think it is prudent, very sensible, and a good suggestion; and it has a special weight in my mind because it comes from a distinguished accounting firm.

MR. PAI: Why don't we just say attach no more than 5 percent of the existing sewer bill?

MR. PERRY: I would simply give the concept and maybe some examples.

MR. PAI: Okay. Well, that was his concern. Maybe the example would give too much encouragement to raise --

MR. KIRK: I would like to get an end on it somehow.

MR. BUCKLEY: If you don't define it, I can see it becoming another form of industrial cost recovery eventually. Secondly, sinking funds like that are illegal in certain states.

MR. DONAHUE: Most every state that I am aware of has a state law which says that, notwithstanding any other statutes of this state, no state law shall be enforced which precludes the local government from accepting Federal funds for this, that, or whatever. Massachusetts has a law like that, a grandfather kind of law, which says that, if there is some provision of a Federal program which is in contradiction to the state law and abiding by the state law would preclude the state or municipality from accepting Federal funds, then the state law shall become inoperative.

I am not trying to force something down somebody's throat.

MR. BUCKLEY: Like Lou just said, they are not Federal funds.

MR. DONAHUE: Right.

MR. PAI: It is a concept that we hope will not put a limitation --

MR. BUCKLEY: It's going to mean meeting with a lot of state legislatures.

MR. SILVERMAN: You have an analogy here with the interstate highway system. Could you elaborate on that, because I think that's a very good example. We can look at the problems that that system has had and learn a lot.

MR. DONAHUE: In our detailed report we are going to talk about that a little bit. The Federal Government put an awful lot of money, 90 percent of the cost of building interstate highways, which still is nowhere close to being finished. The states never were able politically or economically or whatever to put aside enough money to maintain the thing, and the interstate highways are falling apart. You go through certain states like Michigan and Pennsylvania, and there they are falling apart.

The states do not have the money to maintain them. That means more Federal grants. They are attempting to enlarge the highway trust fund to pay for reconstruction and maintenance. That means an unending Federal grant program.

MR. GALL: The highway trust fund has been successful in supporting capital --

MR. DONAHUE: Yes, it has been.

MR. GALL: And it's supported out of user fees.

MR. DONAHUE: Yes, and taxes, gasoline taxes. And there's not enough money in the Federal highway trust fund to do that.

MR. ELLICOTT: I may not understand number 4 very well. How does number 4 deal with the problem of excess capacity?

MR. PAI: The intent of ICR was that they were to be paying 50 percent of ICR for future expansion upgrading.

MR. DONAHUE: The other thing is that it is a relatively painless thing but it adds a little bit to sewage bill and should encourage people to conserve water and say they need some more sewage treatment plants. We think it's a relatively painless way to encourage water conservation.

MR. ELLICOTT: Well, I don't know. Some of our members say yes. Some of our members say they just don't want another charge on top of user charge.

MR. DONAHUE: Even if that would enable them to get rid of industrial cost recovery.

MR. ELLICOTT: Well, I don't know. Again, is the cure worse than the disease and would you rather have a trust fund or would you rather have ICR.

MR. DONAHUE: That's a political decision.

MR. ELLICOTT: Some agencies would say, well, I don't like ICR but it has taken me five years and at least I understand it; we'll do what we can. Cleveland, for example, says they don't care; they are happy with ICR. They have no problem with it. They are not making any money off it, but they will do it.

MR. PAI: I didn't hear him say that two months ago when I met him.

MR. DONAHUE: If anyone has any other comments that we can address now. If somebody has some ideas like Andy has, some ideas that might be done by regulatory action rather than by legislative action, we would really like to get them in writing.

We are sitting here discussing some philosophic kind of things now.

MR. PAI: I think one of the things we do today is we solicit official comment on behalf of your associations. Many of them have already been gone through. So, whoever has not gone through them, this is the time to do it.

MR. DONAHUE: We would like written comments by the 6th of December. We cannot guarantee that we are going to satisfy everyone, but we try.

MR. PERRY: I would have one suggestion for you. That is on page 4, the first full paragraph. When you talk about the two situations, the AWT and the seasonal users. You really need to point out the ICR implication in all that. You don't. You talk about total sewage costs. Sure, we would expect the O&M costs for AWT or total cost for AWT might be twice what it is for secondary treatment, but what does that have to do with ICR.

MR. DONAHUE: You mean the demand, the peak.

MR. PERRY: Right. Well, tie ICR into both of those situations. You have not done that.

MR. DONAHUE: That is a good point.

Really, if we could get written suggestions from people, that is what we are looking for.

MR. COOPER: What about the incremental cost concept for number 3? Communities have certain costs whether there is any industries there or not. Letting the community pay for those costs and then looking at what are the additional costs that are there because the industry is there and then assessing the industry those costs. Did you look at that?

MR. PAI: That is in language number 2. That is in recommendation number 2. We almost say the same thing --

MR. DONAHUE: What Jack is say is that we are not using proportionality for debt service. I think that is what he is saying.

MR. KIRK: Not using proportionality but using the difference, making industry pay the cost which it only incurred. In other words, the difference between the cost it would be to the municipality if the industry were not there.

MR. PAI: Which is a variation of recommendation number 2.

MR. KIRK: And the total cost because the industry is there. This is different than proportionality. It is considerably less money to the industry than proportionality.

MR. HORN: If you take a look at most domestic populations, a little town in Illinois had an adequate treatment plant in '56 for 10,000 people. It now has 5,000 people but yet has been asked to contribute five times to plant expansion because of this sausage plant and that other kind of thing. This can backfire on them. Incremental costs can backfire on industry. Domestic population can say my needs were satisfied 30 years ago. If you want to come in and want more, you pay for it all. Industry goes somewhere else.

Quite frankly, I would like to keep the Federal Government out of this local capital cost bit completely. As you know, we now make a disclaimer of it. It is not part of the user charge system. It is not connected with operation, maintenance, and replacement.

There are so many fixed bond issue type things --

MR. PAI: The reason for number 3 is for water conservation. That is the intent of ICR.

MR. HORN: Right. But when you say require repayment of local debt. Who is going to require it? Certainly not the Federal Government.

MR. DONAHUE: Yes.

MR. HORN: We were in there before 660 --

MR. PAI: It will be part of user charge.

MR. HORN: Well, then user charge has to be expanded beyond operation.

MR. PAI: That's right.

MR. HORN: You are going to get us into the total sewer bill. Then, when people want discounts for the aged, the widows and the orphans and so on, you are getting into one big problem area.

MR. PAI: User charge is a problem. I think proportional share of the local share is a very effective way and has been implemented.

MR. HORN: Then, you see, you negate ad valorem taxes for bond issues. You have got to take a look at the funding mechanisms for the local share.

MR. DONAHUE: Ted, if you read the report, we said those areas which qualify for and use ad valorem taxes. We said in the detail of this report, let alone in the detail of the other report, if somebody decides to use ad valorem taxes instead of user charges, you could develop a proxy for this surcharge, this user charge through taxes.

MR. ELLICOTT: Can we get a clearer explanation of the proxy idea, either in this executive --

MR. DONAHUE: Something similar to the way they are trying to figure a substitute for O&M costs - by class or by whatever.

MR. PAI: Just add an item on to user charge. I think that's the easiest way to say it.

MR. HORN: So, get proportionality out of that --

MR. ELLICOTT: I think I agree with the gentleman over here about keeping the feds out of local financing. I think that will come up no matter what, how you structure it. I don't want to talk about it because I am not an expert but --

MR. DONAHUE: Seventy percent of the cities we have talked to are already doing it.

MR. ELLICOTT: But the other ones --

MR. HORN: Fine. But to require it for approval of revenue --

MR. ELLICOTT: It really should be a local choice. That is my thinking on it. If they want to rip off industry, let them rip off industry, and if --

MR. DONAHUE: Andy, every recommendation we make is going to make somebody unhappy.

MR. ELLICOTT: I understand.

MR. DONAHUE: You can't keep everybody happy. The question is, what things are people willing to accept as a quid pro quo for recommending, for getting Congress to agree that they can indeed eliminate industrial cost recovery.

MR. PAI: Just as a curiosity, how many of your members are going to use ad valorem taxes?

MR. ELLICOTT: About 18 or 20.

MR. PAI: How many is the total members?

MR. ELLICOTT: Sixty-seven.

MR. PAI: So, 30 percent will go to ad valorem.

How many of them have approved by region to be dedicated --

MR. ELLICOTT: We don't know.

MR. PAI: They intend to use it?

MR. ELLICOTT: It is their intent to use it if they can get ded --

MR. HORN: Have you got that many that don't already have an approved revenue system under 92-500 or --

MR. ELLICOTT: Yes, because they aren't at the point where they have to show that they have gotten approval of this system, in many cases. They are holding out to the 90 percent completion point.

MR. DONAHUE: Eighty percent completion point.

MR. ELLICOTT: And that's a local tactical decision. They just take a risk of not getting any more checks.

MR. COOPER: On 3 and 4 we think that it should be specifically limited to apply to the treatment plant only and that this fund that would be created and so forth would not apply -- at least they would not take the industrial money and apply it to the building of sewers. We need to limit that to the treatment plant.

At least the industrial part of the money. The money that you get from citizens, of course, you can use for building your sewers. But the money from the industry should not go for that - is what we are saying.

problems. I think we are much closer to it now.

I do think that the recommendations, except for the one about the local shares - which I kind of agree that we shouldn't mess with too much - the one about the trust fund, the one about the tight rules and reserve capacity and other steps that encourage conservation, I think that it is possible to -- this is only my judgment now -- build a consensus so there really was no disagreement about this thing and you could get something passed that most people agreed with. I think we could actually do something with it.

I think it would be especially easy to do something with it if you make the factual materials available both through displaying them and properly summarizing them and putting them in the index. Something like that would be very helpful.

Another thing which I would hope you would do is this. You say this 29 percent reduction - 29 percent substantial conservation. Why?

MR. DONAHUE: Water rates and user charges.

MR. COOPER: And water availability in some cases.

MR. SILVERMAN: I think the Congress needs to know the fact, these water rates having user charges: the idea of paying somehow for what you get and how much you use encourages people to conserve water. It is a very simple concept, but I think you have documented it. You have done what many economists and others have only speculated about. You have actually put it together. I think that is a very key point in the debate. I think it ought to be a starting point. I think it ought to be stated very clearly. I think generally you are doing a real good job.

MR. DONAHUE: Thank you.

MR. PAI: Did you think we addressed the congressional question adequately?

MR. SILVERMAN: Yes, I do. I think probably you should talk a little more about how to make it work if nothing happens. I think you should have about three or four pages about that commenting on the new regulations and new legislation. Say, if nothing happens, we found that the following cities seem to have the best idea of how it works and they are doing the best and we ought to follow this model.

I think otherwise Congress is going to find itself a little boxed in in a way it does not want to be.

MR. PAI: Let's hear from Susan. Susan, do you have anything to say?

MS. BOOLUKOS: I am trying to grasp this whole thing. I am pretty well understanding it. I appreciate being here. I prefer not to make any specific comments at this time.

MR. PAI: You know the comment due date is December 6th, so you have time.

MS. BOOLUKOS: The people I deal with most specifically in our industry have gotten back to me with a very kind of general everything looks okay. However, I am going to transmit this information to them and see if they have anything more specific, especially on number 2.

MR. PAI: We do appreciate comment.

MR. DONAHUE: If anybody would like to talk with any of us, please feel free to call us. We will come see you. You may come and dig through our files - whatever you want. We will be glad to do whatever we can to help. But we cannot guarantee that the final recommendations are going to please everybody or even anybody. We are trying to sort out all the approaches and document what we can.

MS. BOOLUKOS: I do have one question. Have you been in contact - with the exception of Congresswoman Heckler's representative today - with any of the staff people on the hill who are responsible for writing this in the first place?

MR. DONAHUE: No, because there is nobody left on the Public Works Committee staff who was on the staff at the time the legislation was passed. Leon Billings was there. Of course, he is now with Senator Muskee. We tried to get him. He is in the People's Republic of China and will not be back until mid-December.

We talked to Mimi Feller. We talked to Carol Bauer. We talked with a bunch of other people up there.

MS. BOOLUKOS: Do you have any indication whatsoever as to how they are going to look at these recommendations?

MR. PAI: We sent them 20 copies.

MR. DONAHUE: We sent more than 20. You sent 20 and we sent some more.

The reactions generally were, well, you're not suggesting anything very radical or drastic. And we are not sure just where on our legislative agenda consideration of this will fall. Nobody was jumping up and down saying we can't wait to have hearings on it or enact it or not enact it or whatever.

MR. PAI: One thing I would like to point out is we all know that December 27 is our submission date. Congress gives themselves six months to act upon it. From the EPA point of view, we are trying to get a report to Congress by that date so that Congress has as much time as they give themselves to consider the issue. So, any extension of or submission of our report, either by their agreement or not, I think there is limited time for them to consider the issue. So, that is one thing you will have to keep in mind.

MR. DONAHUE: We will meet the deadline for submitting the report to Congress.

MR. ELLICOTT: What is the state of final preparation on other documents that are referred to in the executive report?

MR. DONAHUE: You came in after we started.

We are going to -- volumes 2 and 3, the detailed methodology, findings, alternatives, recommendations in volume 2, volume 3, data and exhibits -- we are going to circulate those fairly widely to just about anybody who wants them. Volume 1 we are going to give out; we are going to stand out on the corners and give away.

Volumes 2 and 3 we will give to anybody who is really interested.

Volumes 4 through 7, which are the transcripts, we are not really in any big hurry to --

MR. ELLICOTT: That I understand. I understand what you are going to do as far as dissemination. Will any of it be available to look at before December 6, before December 15? If my members come to me and say, I want to see it which only has 4 percent of capacity. Do I come back to your office and dig in your file?

MR. DONAHUE: Sure.

MR. PAI: I should have a copy in my office by that time.

MR. DONAHUE: We are typing drafts of all our stuff now. Any changes we make in this will have to be reflected in the detailed kind of stuff. But it is going to be available. I am not sure how far -- the data is available now. The report is in the process of being prepared.

MR. ELLICOTT: I will take it upon myself to try to get specific enough questions from our members that I can fruitfully dig through the files. If I don't really know what I want, it is going to take me a while.

MR. DONAHUE: We have many cubic feet of files and documents. You are welcome. We have them indexed.

MR. ELLICOTT: I appreciate it.

MR. PERRY: Do you expect to have volume 2 and 3 by December 15, something like that?

MR. DONAHUE: Yes.

MR. PERRY: Certainly by December 15th?

MR. DONAHUE: Yes.

MR. COOPER: Will it be mailed, or will we have to public interest groups are going to read this and not understand all the terms. So, we are going to try and have a layman's definition of these terms. As you look in the table of contents, we refer to a glossary which we do not have yet.

But total sewage cost is user charge, ICR, and local debt service - which may or may not be part of a user charge.

MR. GILDE: I think there are also cases where you just say ICR. And there should be the word "and user charges."

MR. DONAHUE: Fine.

Thank you very much.

MR. PAI: I again thank you for all your help. Who knows, maybe we will get another chance to get together.

(Whereupon, at 3:30 p.m., the proceedings were concluded.)